

*How boatbuilders tempt buyers to trade up*

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# BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

FIFTY CENTS

JAN. 24, 1959

Jones & Laughlin comes out of the doldrums—with a new boss, Avery Adams, new equipment, like this oxygen converter, and new markets. (Companies)



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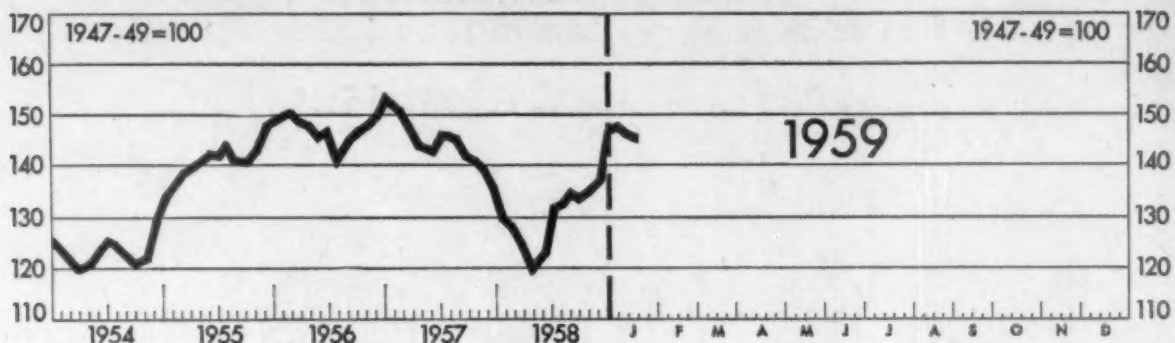
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## BUSINESS WEEK INDEX (chart) . . . . .

1946 Average	Year Ago	Month Ago	Week Ago	§ Latest Week
91.6	130.9	149.2	†146.7	*145.9

## PRODUCTION

Steel ingot (thous. of tons).....	1,281	1,496	1,840	12,111	2,147
Automobiles and trucks.....	62,880	136,505	157,275	165,011	164,067
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$17,083	\$39,504	\$61,447	\$59,222	\$60,147
Electric power (millions of kilowatt-hours).....	4,238	12,400	13,534	13,554	13,324
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	6,925	7,094	7,052	7,087
Bituminous coal (daily av., thous. of tons).....	1,745	1,465	1,504	†1,403	1,358
Paperboard (tons).....	167,269	281,999	295,919	303,880	305,778

## TRADE

Carloadings: mfrs., miscellaneous and L.C.I. (daily av., thous. of cars).....	82	54	57	55	53
Carloadings: all others (daily av., thous. of cars).....	53	41	41	43	39
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	116	293	105	121
Business failures (Dun & Bradstreet, number).....	22	260	251	321	294

## PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	393.4	392.3	385.4	385.4
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	83.4	89.3	89.2	89.2
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	87.3	81.6	79.9	79.4
Print cloth (spot and nearby, yd.).....	17.5¢	17.8¢	18.2¢	18.2¢	18.2¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	181.7	186.9	186.9	187.0
Scrap steel composite (Iron Age, ton).....	\$20.27	\$33.17	\$39.83	\$40.50	\$41.17
Copper (electrolytic, delivered price, E & MJ, lb.).....	14.045¢	24.910¢	28.990¢	29.005¢	29.020¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.21	\$1.99	\$1.97	\$1.99
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	34.85¢	34.36¢	34.30¢	34.28¢
Wool tops (Boston, lb.).....	\$1.51	\$1.78	\$1.64	\$1.64	\$1.63

## FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	41.20	53.89	55.61	55.82
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	4.80%	4.85%	4.85%	4.87%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	¾-1%	3½%	3¾%	3¾%	3¾%

## BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	56,532	59,450	58,749	58,693
Total loans and investments, reporting member banks.....	††71,916	87,018	95,882	95,449	94,694
Commercial and agricultural loans, reporting member banks.....	††9,299	31,361	31,181	30,825	30,666
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	25,945	31,901	31,524	31,266
Total federal reserve credit outstanding.....	23,888	25,390	28,311	28,275	27,708

## MONTHLY FIGURES OF THE WEEK

MONTHLY FIGURES OF THE WEEK		1946 Average	Year Ago	Month Ago	Latest Month
Personal income (seasonally adjusted, in billions).....	December.....	\$179.3	\$348.4	\$360.4	\$359.3
Farm income (seasonally adjusted, in billions).....	December.....	\$18.1	\$15.4	\$16.8	\$16.8
Bank debits (in millions).....	December.....	††\$85,577	\$220,376	\$183,092	\$238,985
Imports (in millions).....	October.....	\$412	\$1,148	\$1,074	\$1,142

\* Preliminary, week ended January 17, 1959.  
† Revised.

†† Estimate.  
\*\* Ten designated markets, middling ½ in.

§ Data for 'Latest Week' on each series on request.  
a January 1-10, 1959.

THE PICTURES—Cover—Clyde Hare; 30, 31—Russ Melcher; 32—(top and cent.)—U.P.I.; (bot. and right)—W.W.; 34—George Woodruff; 48, 49—Grant Compton, Herb Kratoch; 52—Pictorial Parade; 57—Clyde Hare; 68, 69—Grant Compton, Herb Kratoch; 89—W.W.; 92—U.P.I.; 104, 105—Grant Compton; 108—Inland Steel Co.; 110—Ed Nane



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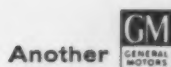
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Photos courtesy New York Central System

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BUSINESS WEEK • Jan. 24, 1959

## READERS REPORT

### Needs Head Examined?

Dear Sir:

The Straus Committee member who thought out the proposal to underwrite private bank loans to companies investing in Asia and the Middle East . . . [BW—Jan. 10'59,p83] for the purpose of demonstrating the advantages of private enterprise had better have his head examined. You may be sure that no Middle Eastern nor Asian is stupid enough to believe that an investment that is insured against loss is in any sense of the word enterprise.

In fact, this proposal would give more ammunition to all those who call us imperialists and exploiters. This charge would be even more true if the Boggs Bill, which would encourage private capitalists to invest abroad by lowering their corporate income taxes, were passed [BW—Jan.10'59,p83]. Capitalists can only be trusted to make as much profit as possible; this does not make them fit companions for the government. . . .

R. D. MIKESELL

UNIVERSITY OF ILLINOIS  
URBANA, ILL.

### Candy by Wire

DEAR SIR:

I HAVE JUST BEEN READING THE INTERESTING ARTICLE "CANDIES BY WIRE" [BW—JAN.10'59,p60]. HOWEVER I SHOULD LIKE TO POINT OUT TO YOU THAT IT WAS THE MEMBERS OF THE FLORISTS TELEGRAPH DELIVERY ASSOCIATION THAT ORIGINATED AND SENT THE SEVEN MILLION FLOWER ORDERS IN 1957. WESTERN UNION HAS FOR MANY YEARS SERVED THESE FLORISTS AND A LARGE PART OF THE SEVEN MILLION ORDERS WERE TRANSMITTED BY WESTERN UNION.

GEORGE P. OSLIN

PUBLICITY DIRECTOR  
WESTERN UNION TELEGRAPH CO.  
NEW YORK, N. Y.

### Well Done

Dear Sir:

. . . Business Week [has] done an excellent job of reporting our Economic Forum's discussion concerning unemployment, wages, and inflation [BW—Dec.6'58,p22]. . . .

JOHN S. SINCLAIR

PRESIDENT  
NATIONAL INDUSTRIAL CONFERENCE BOARD  
NEW YORK, N. Y.



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## ... disease ridden trees

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## ... huge bombers

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Sincerely,

S. S. Benjamin, Vice-President  
Erickson Tool Company

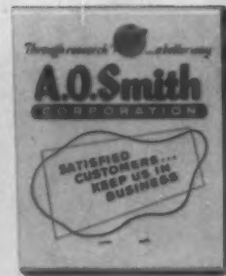
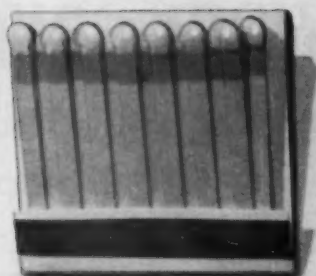
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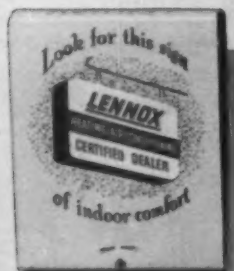
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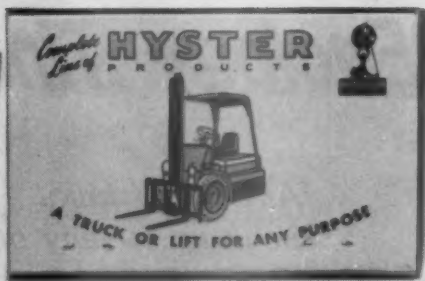
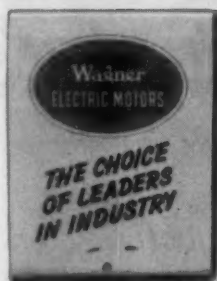


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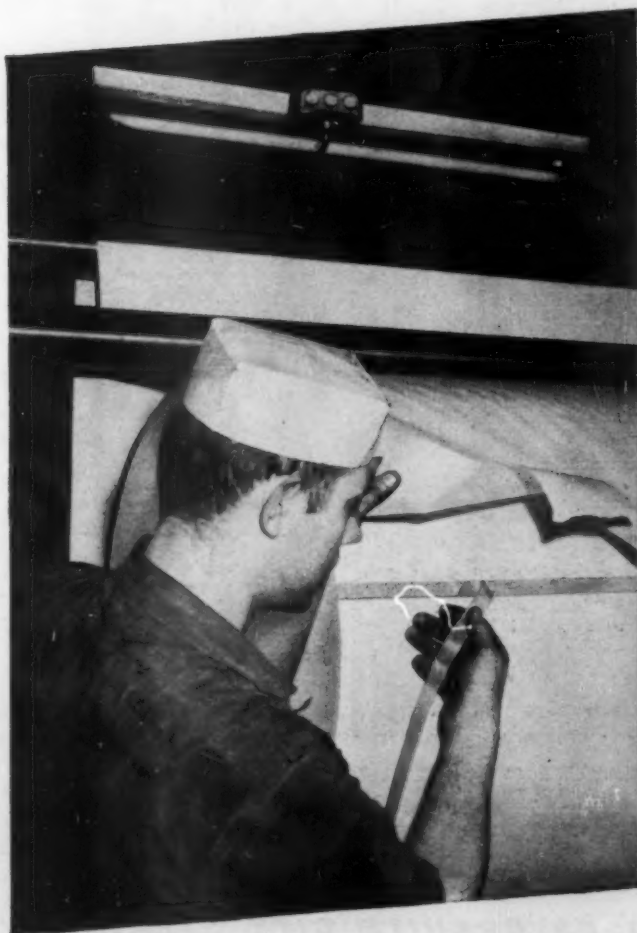
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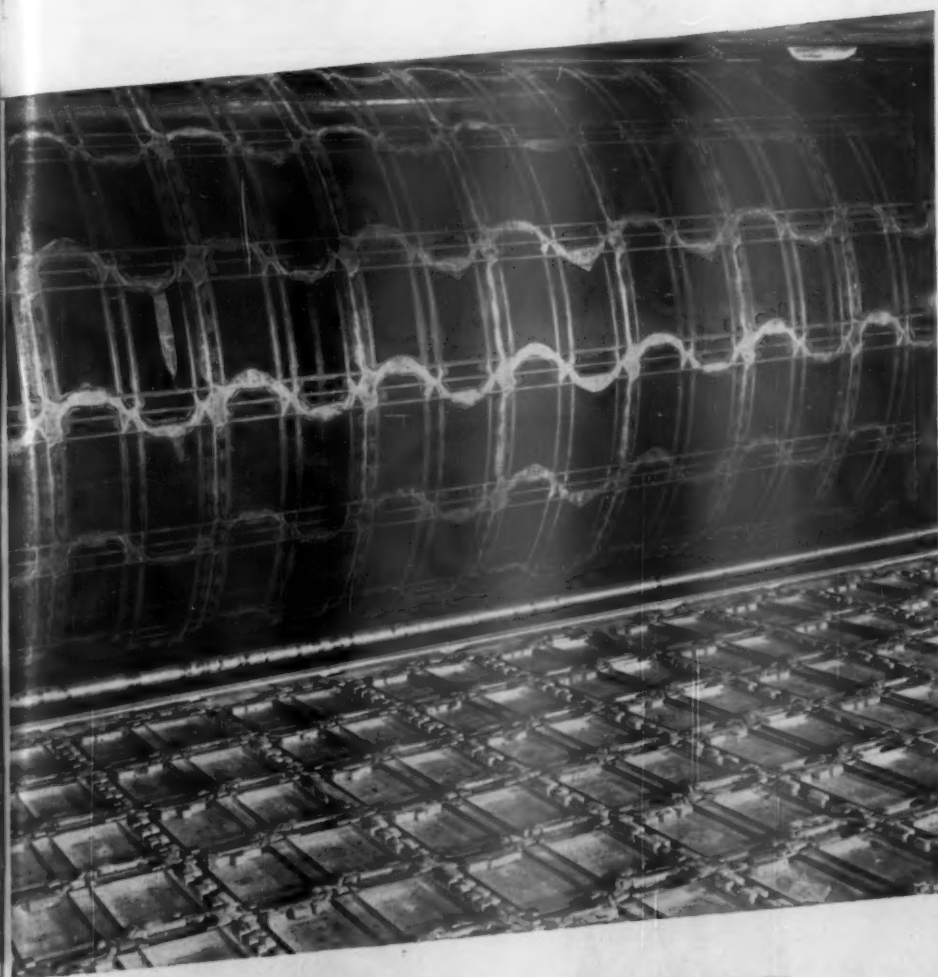
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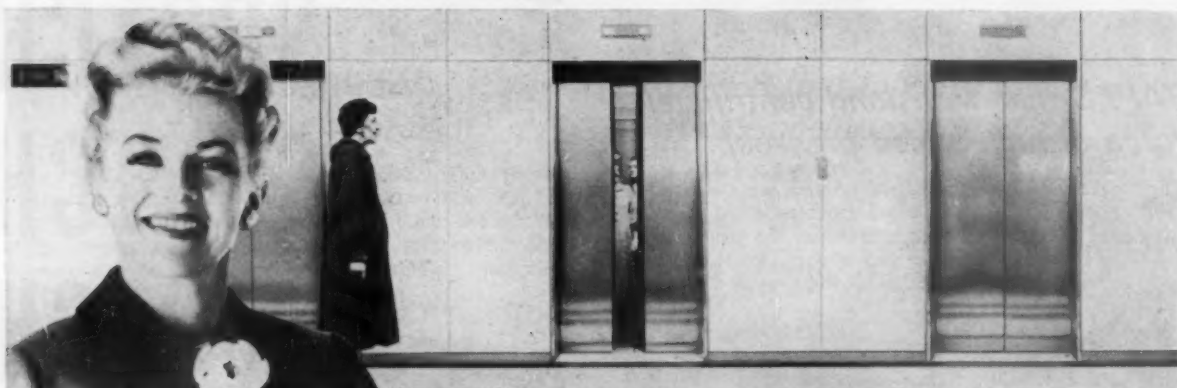
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movement. Traffic Sentinel electronically sees and senses passenger traffic and controls the doors.



**3** "While passengers continue to leave the comparatively full elevator, doors continue to remain wide open. Door movement is governed entirely by passenger traffic and not by

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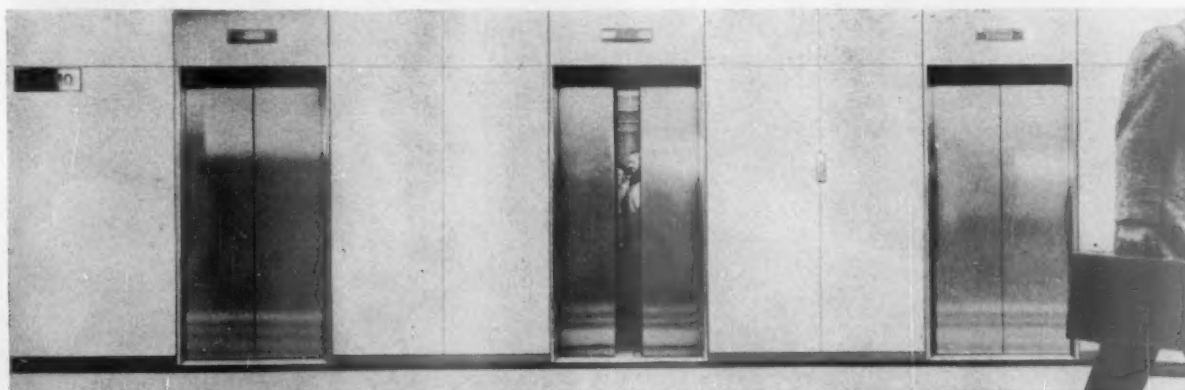
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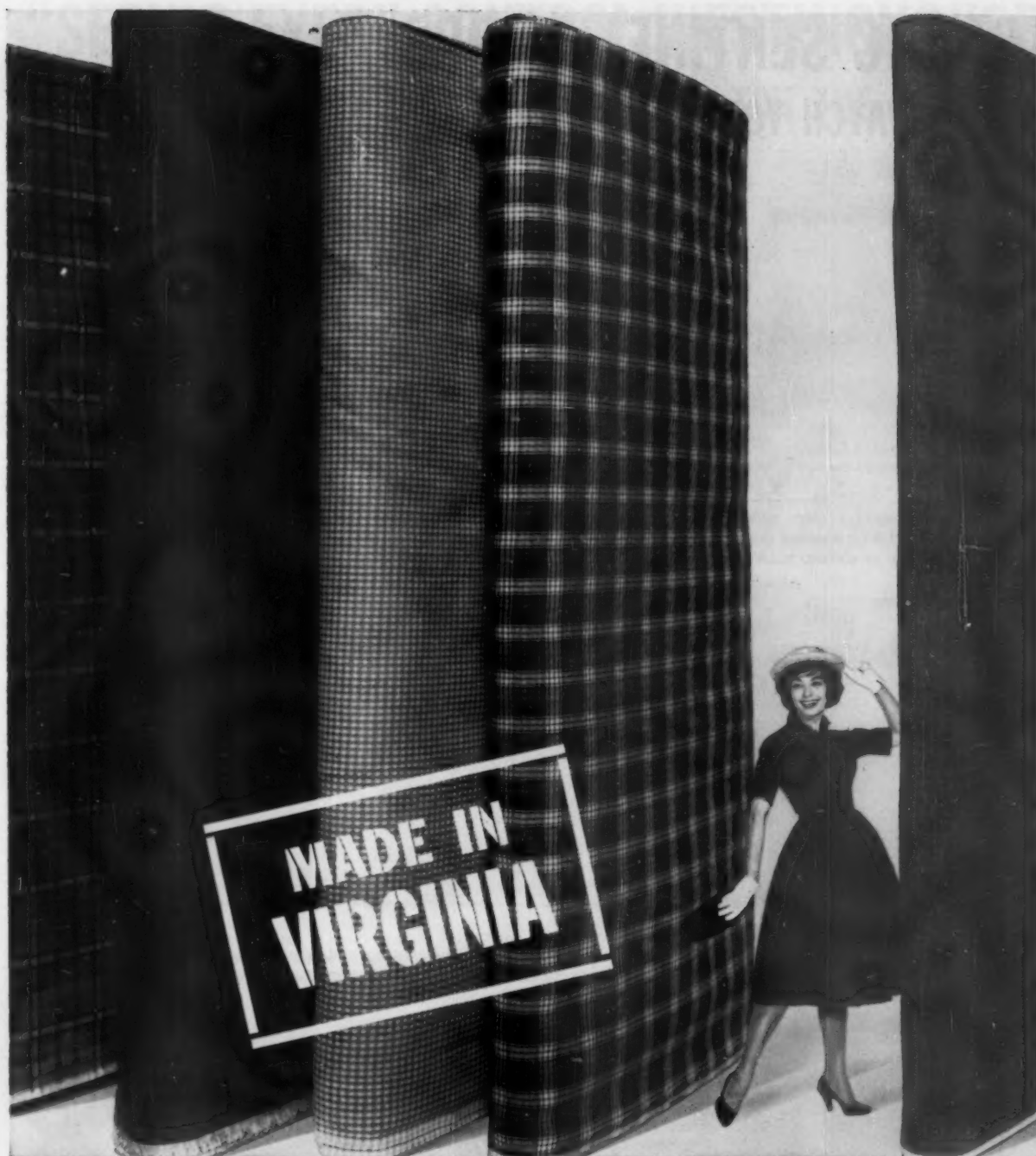


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# BUSINESS OUTLOOK

BUSINESS WEEK  
JAN. 24, 1959



Modest hopes for continued recovery, expressed in the President's economic report (page 25), seem fully justified.

Perhaps reliance is being placed on plant and equipment outlays, a little too early. But the other side of business investment—buying for inventory—unquestionably is stressed too little.

Over-all inventories have yet to show an upturn, it is true.

But it should be remembered that, at the manufacturing level, these consist of three segments: purchased materials and parts, work in process, and finished products. Their growth trends are timed dissimilarly.

When demand is rising, as now, finished products move out faster than they can be made. Much the same is true of work in process.

But materials and parts can be bought—and that's been going on.

Manufacturers of durable goods took the main "correction," the drastic shakedown in inventories. But demand for their products began to show a rise in April that became emphatic during the summer.

And, in a typical recovery pattern, they began building their stocks of purchased materials and parts as far back as September.

The gain to date isn't large, but the trend is perfectly clear.

Recovery continues to be fairly evenly based but with end demand strongest in consumer goods. Look at the Federal Reserve output indexes:

- Total production had rallied to 142 in December, up from 126 last April (but still 4 points below the boomtime peak).
- Consumers' durables stood at 137, up from 97 in April. You have to go back to January, 1956, to find another month so high.
- Softgoods, with little to make up, are blazing uncharted highs.

Producers' goods have scored impressive gains since their lows in the spring of 1958, but still are laggard alongside consumers' goods.

Where autos have chalked up an 80% improvement since early 1958 and household goods (home furnishings, appliances, etc.) about 40%, machinery has had a recovery of only about 12%.

This disparity is no surprise, of course. Consumers have to push factories back toward capacity to spur big demand for new machines.

Metal fabricators—plants turning out basic supplies for consumer and producer goods alike—were running at 165% of the 1948-49 average in December (seasonally adjusted). That was up from April's low of 146.

Such a gain is nothing to sneer at in any circumstances. But it is the more impressive with restocking still in its early stages.

Industries turning out machinery added about 120,000 workers between the summer low and the December count.

# BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

JAN. 24, 1959

That brought their force of actual production workers above 1.8-million. Nevertheless, it still left employment about 350,000 below the 1957 peak of 2,171,000 in February.

Personal income's rise was interrupted in December. The amount individuals received last month was nearly \$1-billion below November.

This decline was due entirely to a less-than-seasonal bulge in dividend payments last month. The total for interest and dividends, at the seasonally adjusted annual rate, was \$1.7-billion lower than November.

The biggest and most significant segment of personal income—the mass purchasing power represented by all wage-and-salary payments—still is maintaining a healthy rate of gain.

December's \$242.9-billion annual rate was nearly \$1-billion better than November and approximately \$11-billion up from last April's low.

Personal income's flow late last year highspotted one place where Washington can see a cut in federal spending:

Transfer payments declined rather steeply after September.

These are funds paid to individuals in return for which the government receives neither goods nor services—largely for Social Security, veterans' benefits, and unemployment compensation.

They are among the "automatic stabilizers"; they rose sharply throughout 1957 and well into 1958. They'll drop further as employment rises.

A copper price rise has been nip and tuck these last few days.

World markets have favored an advance. Foreign producers have been able to get about 29¢ a lb. on the London market, the same as domestic producers have been asking in New York. But the 1.7¢ U. S. duty, on that basis, makes London much the more attractive.

That's one reason custom smelters in the U. S. nudged their prices above the 29¢ level several days ago. Domestic producers could easily have followed, but up to midweek they held out for stability.

Higher gasoline taxes are bound to favor the "economy cars."

Buyers already have shown shyness on price. Most auto dealers say they're hard put to get enough six-cylinder models. And the success of the American Motors and Studebaker lines points up this trend.

Price tags and gas mileage may very well become the alibi of people who tried "keeping up with the Joneses" and tired of it.

Gas economy has a psychological effect even upon people who don't drive enough for the higher taxes to make much difference.

This, of course, pulls strongly in favor of the imported cars.

Meanwhile, the longer Detroit waits with its own "small" cars, the more it holds the umbrella over the others in this growing market.



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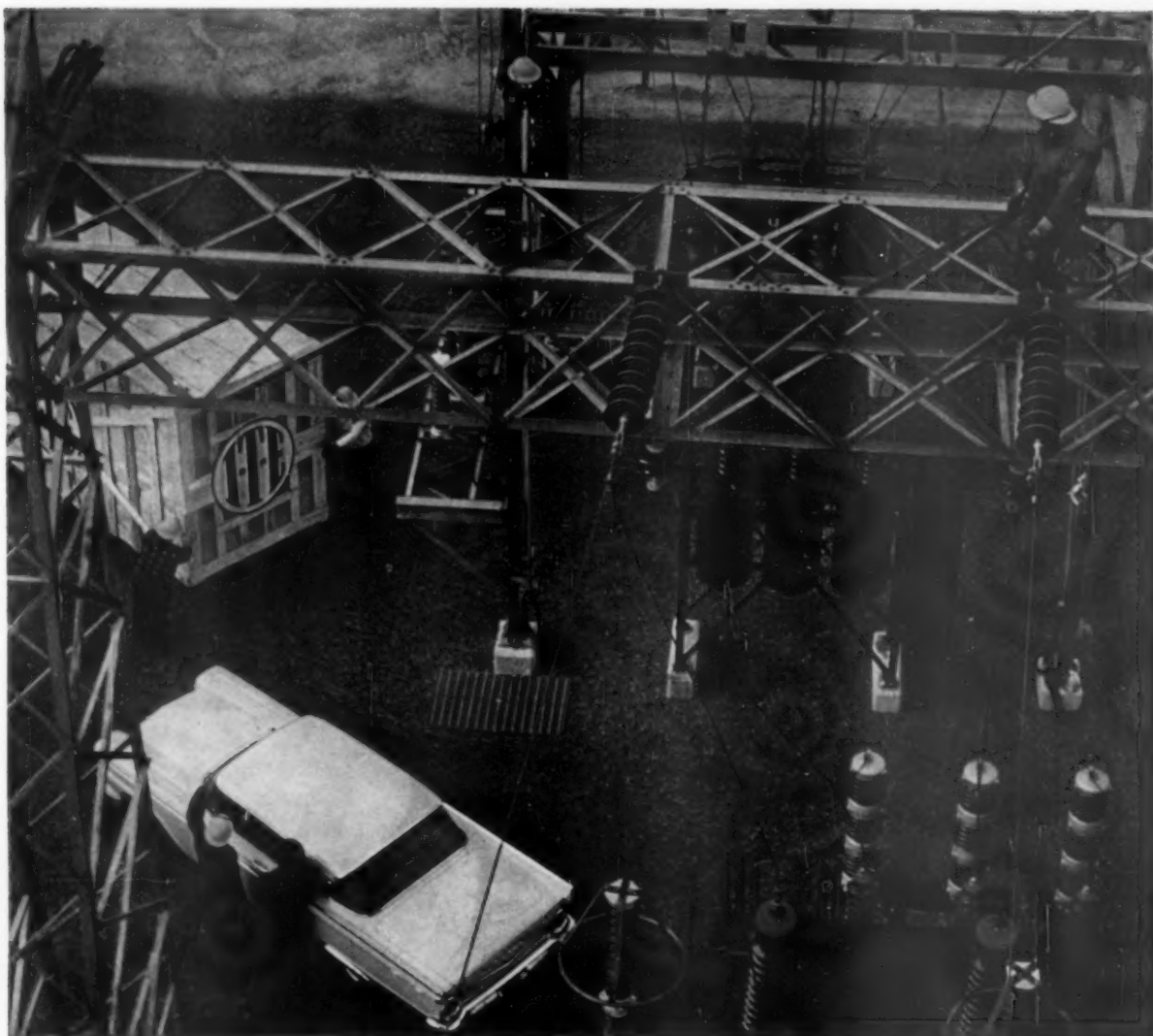
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## How Eisenhower Plans to End Deficit

(In Millions of Dollars)	What happened last fiscal year (July '57 to June '58)	What's happening this fiscal year (July '58 to June '59)	What President budgets for next fiscal year (July '59 to June '60)	What's likely to happen — as Democratic Congress goes to work on the President's plans.
<b>Expenditures</b> .....	\$71,900	\$80,900	\$77,000	First cut in five years. Democrats have higher goal.
<b>Receipts</b> .....	\$69,100	\$68,000	\$77,100	Highest in history, if achieved. Congress is likely to refuse half-billion of new revenue.
<b>Surplus or Deficit in the Administrative Budget.</b>	— \$2,800	— \$12,900	+ \$100	Token surplus can turn into a deficit.
<b>Cash Surplus or Deficit...</b> (includes trust funds)	— \$1,500	— \$13,200	+ \$600	Best measure of economic impact.
<b>New Spending Authority.</b>	\$76,300	\$82,400	\$76,800	Affects spending beyond fiscal 1960. Democrats will try to raise this even more than current spending.

## The Battle of the Budget Begins

Pres. Eisenhower this week disclosed his plan for swinging the federal budget in a single year from a \$12.9-billion deficit to a \$100-million surplus.

If accomplished, it will be an unprecedented peacetime achievement. Only once before has a deficit this large been wiped out so swiftly. This was in 1946 when the end of World War II allowed a wholesale cancellation of arms contracts.

Very few fiscal experts expect Eisenhower to hit his target. Even his own plans for increasing receipts and reducing spending in fiscal 1960 (tables) are based to some extent on assumptions that might not pan out. But beyond that, the heavy Democratic majority

in Congress has spending plans of its own, practically all higher than Eisenhower's. And some liberal Republicans are also ready to vote with the Democrats in raising spending levels.

• **Far-Reaching**—But the Eisenhower economy drive, even if it falls short, could fundamentally affect what the government does. By using the veto and his authority to withhold funds voted by Congress, he can influence the flow of spending even when he cannot entirely control it.

He seems determined to push his fight. Even before members of Congress had the budget in their hands, Eisenhower was on TV and radio with an appeal direct to the public. The Ad-

ministration is also seeking support by holding out the lure of tax reductions if the spending line is held—and the possibility of tax increases if spending breaks loose.

Eisenhower proposes that this year's budget, which is exerting a strong expansionary force on the economy, should return in the fiscal year beginning next July 1 to a generally neutral position. If he could actually hold the spending line at \$77-billion next fiscal year, the effect would be gently on the side of restraint beginning sometime late in calendar 1959.

• **Upsurge Expected**—A basic assumption of both the Budget Message and the Economic Report, which also went

# Where Eisenhower Wants to CUT SPENDING

(In Millions of Dollars)

## 1. NATIONAL SECURITY.

	This Year Fiscal '59	Next Year Fiscal '60	Congress' Reaction
Military Plane production.	\$7,000	\$6,300	Air Force backers charge manned planes are being cut too fast.
Military production facilities.	\$2,000	\$1,700	Democrats fear missile base construction is too slow.
Foreign military aid.	\$2,300	\$1,800	This 20% cut not likely to be opposed.
Stockpile of strategic materials.	\$378	\$265	Minerals bloc may try to force new purchases.

## 2. ANTI-RECESSION MEASURES.

Mortgage purchases by FNMA.	\$678		Congress may insist on several hundred million dollars.
Unemployment payments to states.	\$412	None	If December rise in jobless is repeated, Congress will vote more money.

## 3. AID TO SPECIAL GROUPS.

Farmers	\$6,800	\$6,000	Depends on crops.
Veterans	\$5,200	\$5,000	

## 4. INTERNATIONAL MONETARY FUND.

	\$1,400	None	Congress may shift from fiscal '59 into '60.
--	---------	------	--

## 5. CONSTRUCTION

Schools	\$78	\$51	Broad aid for schools will be pushed but faces tough fight.
College Housing.	\$235	\$186	Cut will be opposed.

## 6. POST OFFICE DEFICIT

	\$752	\$109	Eisenhower counts on hike in postal rate. Democrats don't like the idea.
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## 7. SHIP SUBSIDIES.

	\$290	\$277	Proposed commitments expected to increase this.
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## 8. CONTINGENCIES

	\$200	\$100	Lowest contingency fund in years.
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to Congress this week, is that expanding forces elsewhere will more than make up for any decline in federal spending. Expectation of a solid and sustained business rise from now through calendar 1959 is the very heart of Eisenhower's fiscal strategy. The rate at which business grows is more important than any of the spending cuts he hopes to make.

You see this in the structure of the fiscal '60 budget as presented to Congress. The President expects receipts to rise \$9.1-billion, and of this, all but \$600-million is dependent on a broad rise in business activity.

Only \$3.9-billion of the deficit shrinkage is accounted for by spending cuts. The larger part of this comes from eliminating one-shot expenses such as a \$1.4-billion contribution to the International Monetary Fund and \$1-billion in anti-recession programs.

• **Increases Bigger**—When it comes to slashing into established programs, Eisenhower confronts the Democrats with an elusive target.

Despite cuts in some military programs, for example, the increases are even larger. They add up to a \$145-million rise for the Dept. of Defense.

It's the same story in public works. Some programs are reduced, but most are increased, with the total rising almost \$700-million to an all-time high of \$5.2-billion. Eisenhower takes his sharpest cut from construction, not by reducing outlays for 1960 but by calling on Congress to halt new starts completely in such politically attractive programs as water resource development and college housing.

• **Showdown Soon**—Democrats in Congress are planning a speedy test of just

## The NEW REVENUE

(Millions of Dollars)

### WHERE \$9,700 REVENUE RISE IS COMING FROM.

Business expansion provides most of the increases . . . \$8,500

Additional corporation taxes from higher profits . . . \$4,200

Additional excise taxes from rising sales . . . \$400

Higher individual taxes as incomes rise . . . \$3,800

New revenue sources account for a little more . . . \$600

Higher tax on insurance companies . . . \$250

how tough Eisenhower intends to be. Bills to expand airports and stimulate housing with federal aid far beyond Eisenhower's goals are being prepared for swift passage.

• **Possible Pitfalls**—It is impossible for either Eisenhower or his Democratic opponents to foretell exactly how wide of the mark some of the assumptions behind the budget will prove to be. But it is plain that many of the President's conjectures, if faulty, could change the hairline surplus into another deficit.

Here are some of the more questionable areas:

• The \$890-million cut in agricultural outlays contains \$238-million based on a substantial decline in crop yields. Yet the Dept. of Agriculture is predicting more acres will be planted this year than in 1958.

• At least some agencies predicted declines where declines really are not expected. An example is the U.S. Maritime Commission, where negotiations for ship operating subsidies will force a rise in expenditures, instead of the cut indicated in the budget.

• Increases in interest rates charged for rural electrification loans, college housing, and other government lending are counted on to bring in about \$275-million in additional revenue. But Congress is not likely to vote for the higher rates.

• Other proposals for raising revenues are running into strong opposition—\$350-million from higher postal rates, \$600-million for a 1½¢ rise in the auto gas tax, and \$50-million from a higher aviation gasoline tax and a new levy on jet fuel.

Levels of military spending will be hotly debated—with a good chance that

## Where Eisenhower Wants to INCREASE SPENDING

(In Millions of Dollars)

### 1. NATIONAL SECURITY

	This Year Fiscal '59	Next Year Fiscal '60	Congress' Reaction
Missile production	\$3,300	\$3,800	Rise not enough to satisfy Democrats.
Tanks and other vehicles.	\$226	\$268	To restore past cuts.
Radar and other communications.	\$735	\$1,000	
Military research & development.	\$3,000	\$3,400	Higher than expected due to new bookkeeping method. \$415 for military space flight research will be attacked as too low.

Atomic Energy Commission.	\$2,600	\$2,700	Rise includes \$56 for research & development. Democrats want more.
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2. CIVILIAN SPACE AND AERONAUTICS	\$677	\$903	Includes \$127 rise for research & development.
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### 3. CONSTRUCTION

Highways	\$2,600	\$3,100	A trust fund, not included in administrative budget.
Office buildings and post offices.	\$200	\$310	
Aviation and space facilities	\$195	\$233	
Water resources	\$1,000	\$1,100	Western Democrats will try to increase.

Depressed areas	None	\$55	Congress likely to vote \$280 or so, with Eisenhower vetoing.
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Urban renewal	\$76	\$100	More planned in Congress.
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4. AIR TRAFFIC CONTROLS	\$384	\$436	
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5. CENSUS BUREAU	\$24	\$84	To pay for census of manufacturing and population count.
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6. INTEREST	\$7,600	\$8,000	
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## President Hopes For

Tax on co-ops and new depletion rules for clay . . \$50

Higher aviation gas tax and new tax on jet fuel. \$50

Increased revenue from higher interest rates proposed on REA, college housing, and other government loans . . . . . \$200

In addition, Eisenhower asks for higher auto gas tax \$600

This revenue, from 1½¢ rise in tax per gal., would go into the highway trust fund, not the administrative budget.



# Here's how the council of economic advisers analyzes what happened . . .

Third Quarter, 1957  
GNP = \$446-billion



Fourth Quarter, 1958  
GNP = \$453-billion

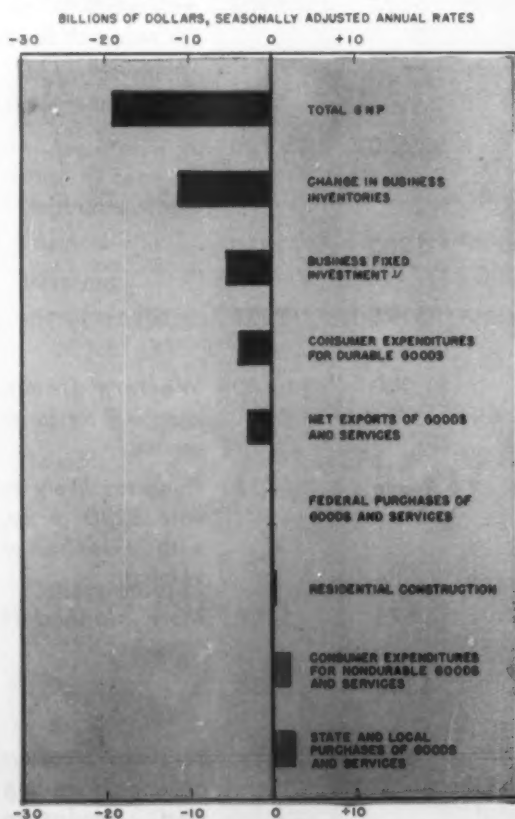
...when  
business was  
**FALLING**

First Quarter, 1958  
GNP = \$426-billion

...when  
business was  
**RIISING**

## Changes in Major Sectors of the Nation's Output Third Quarter 1957 to First Quarter 1958

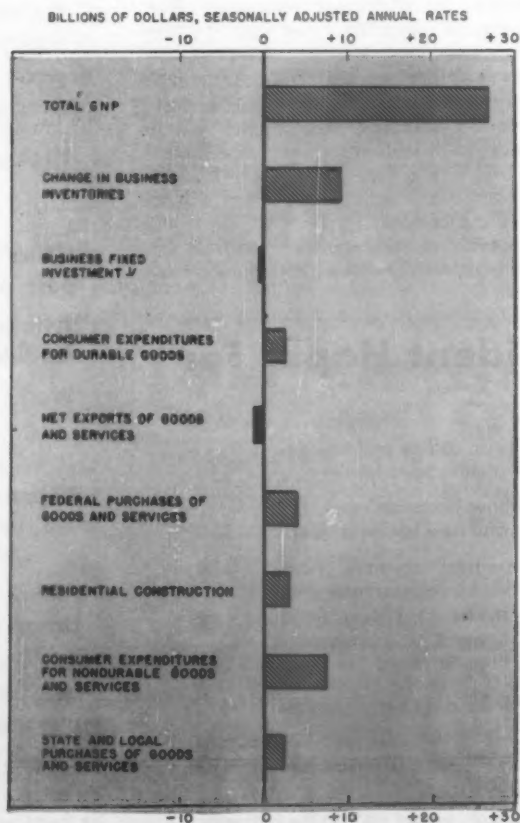
State and local spending and consumer outlays on nondurables and services helped offset declines in business investment, exports, and consumer spending on durables.



<sup>1/</sup> PRODUCERS' DURABLE EQUIPMENT AND NONRESIDENTIAL CONSTRUCTION.  
SOURCE: DEPARTMENT OF COMMERCE.

## Changes in Major Sectors of the Nation's Output First Quarter 1958 to Fourth Quarter 1958

Changes in inventory investment and purchases by consumers and by government were major factors in the GNP increase.



<sup>1/</sup> PRODUCERS' DURABLE EQUIPMENT AND NONRESIDENTIAL CONSTRUCTION.  
SOURCES: DEPARTMENT OF COMMERCE AND COUNCIL OF ECONOMIC ADVISERS.

## Despite recovery, CEA still sees these difficulties...

Democrats will vote for higher outlays, if only to force use of the \$600-million that was impounded by Eisenhower this year.

• **Reliance on Recovery**—The most severe blow of all to the budget outlook would come if the economy stumbles in its climb out of the recession.

The Treasury's revenue anticipations are based on a rise in corporation profits from about \$36.5-billion in calendar 1958 to \$47-billion this year, and a rise in personal income from \$353.5-billion to \$374-billion. This is close to the predictions of most economists, and is not seriously questioned even by Democrats.

• **Economic Basis**—The economic underpinning for this assumption is spelled out in some detail in the Economic Report, which Congress will examine later this month.

Democratic critics of the report—and of the underlying assumptions of the Budget Message—will bear down on the rate of growth implied for this year.

The Administration's forecasts imply a gross national product of \$470-billion to \$475-billion for the year as a whole and a fourth-quarter rate in the neighborhood of \$483-billion. But Gerhard Colm, chief economist for the National Planning Assn. and an acknowledged expert in the field, is saying that a GNP rate of \$505-billion in the fourth quarter is necessary to reduce unemployment to the pre-recession rate of 4% of the labor force—and anything less than this will be attacked by Democrats as inadequate.

Congressional hearings will also question whether even the growth rate the Administration is assuming can be maintained in the face of the budget cuts Eisenhower is posting.

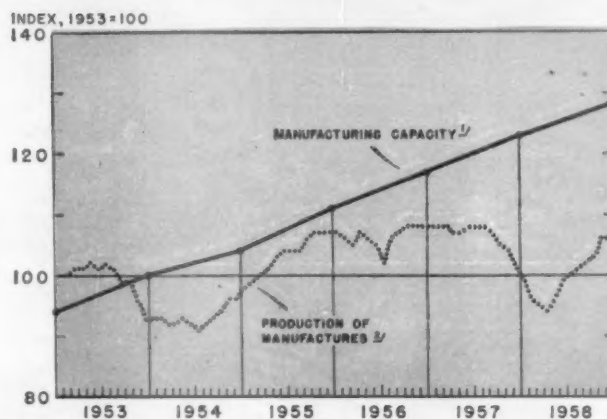
• **Effects**—The impact of the cuts, however, will be lighter than the overall figures suggest. Purchases of goods and services by the government have risen \$4.1-billion the past year. They will begin to level off in about six months, in the view of government experts, and by mid-1960 could be about \$2-billion below present levels.

This is a substantial shift—but not large enough to concern Eisenhower's economic advisers. They believe a rise in plant and equipment spending by industry and a rise in inventories will more than absorb any such drag on the economy in plenty of time.

## EXCESS CAPACITY

### Manufacturing Capacity, Production, and Prices

Manufacturing capacity rose in 1956-58 relative to production...

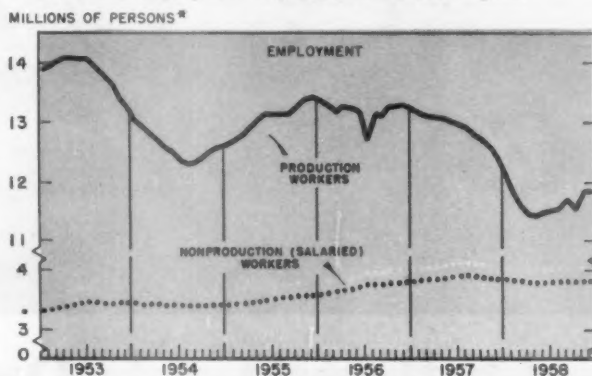


## FEWER MANUFACTURING JOBS

### Employment, Hours, and Earnings in Manufacturing

The average length of the workweek turned up in March 1958...

... and employment of production workers in June.

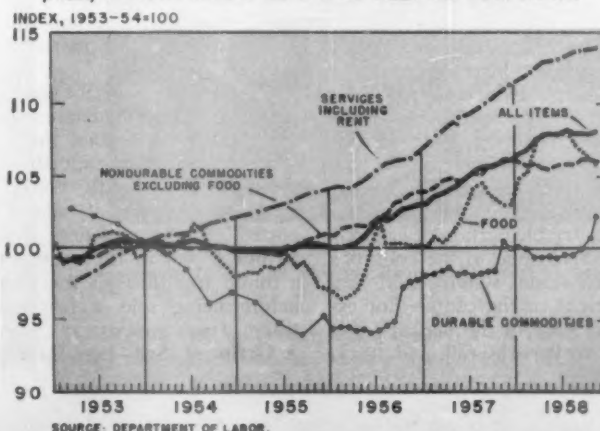


Hourly earnings continued to advance throughout the year.

## INFLATION

### Consumer Prices on a Recent Base

Between 1955 and mid-1957 all major price indexes rose; during the next year increases were confined mainly to food and service prices; in recent months the over-all index has been stable.





## Les Halles Pooh-Poohs Reform

Five nights a week in winter, six in summer, Les Halles—the bedlam central market in the heart of Paris—puts on the most exciting show Parisian night life has to offer. Between midnight and early morning, enough produce and meat are marketed there to meet the daily needs of Paris and much of France.

For tourists, the central market traditionally means the place to go for a sobering bowl of onion soup. But for the stern leaders of France's new Fifth Republic, Les Halles is an economic outrage that must be abolished.

Les Halles, even the Paris romantics agree, hasn't made economic sense for years. A considerable portion of France's high food costs is due to the country's archaic distribution system, and Les Halles lies right in the center. For example, about 40% of the market's produce comes to Paris by rail, and truck-

ing charges into the traffic-snarled central market often cost double the longer rail rate. Meat is slaughtered on the outskirts of Paris, but must be trucked into Les Halles to be sold.

Even more devastating are the middlemen charges, including the cost of "les diables"—pushcarts that deliver produce to points beyond where trucks can penetrate the market's jammed quarters.

The price-fixing influence of the market's 6,000 mandataries—food brokers—extends far beyond the Paris area. The city can eat up only about 40% of the food that nightly floods into the market. The rest, if salable, is "exported" to the provinces. A head of lettuce grown in the south may make a round trip through the Paris market before being sold a few miles from where it was grown.

• **Grain of Salt**—Les Halles brokers,

who trace their trading privileges back to the 12th Century, aren't too concerned over the current reform talk. A similar attempt in 1953 flopped because government economists couldn't unravel the maze of trading operations that baffle even Les Halles insiders.

Generally, it's believed that the government may be able to transfer the meat section to a slaughterhouse area several miles outside Paris, where it could be serviced directly by rail. But for the rest—the tons of fish, fruits, vegetables, and even flowers—the going will be tough. Not only brokers but thousands of retail merchants and restaurant buyers will oppose a move.

The biggest obstacle to reform, however, is the financing. Government officials estimate that it will cost 17-billion francs (\$34-million) just to switch the meat market. For this reason, money-short reformers aren't forcing the pace.





**VEGETABLE** vendor and customer haggle over the price of a crate of leeks. Market opens at midnight, closes up shop at 6 p. m.

**LES HALLES**, Paris' bedlam central market, nightly handles about 6,000 tons of produce and 6,000 hides of meat.



**UN DIABLE** (pushcart) carries produce from trucks to stalls, snarls up traffic, and adds materially to the cost of produce.

**TOURISTS** wind up evening over a snack at a Les Halles bistro, mingle with workers who drop in for a "wine break."





**DETROIT** Edison's Walker Cisler (right) was tapped by Russians to play dinner host to Mikoyan because of a recent U.S.S.R. trip.



**IN CHICAGO**, Russians picked Edward L. Ryerson of Inland Steel, also a recent visitor to Moscow, as Mikoyan's luncheon host.



**SAN FRANCISCO** businessmen heard Mikoyan at dinner attended by Mayor Christopher (right), and Soviet envoy Menshikov.

# Mikoyan Woos Them,

Early this week in New York a tired and somewhat disgruntled man boarded a plane for Moscow after one of the most amazing missions in modern history. He had spent 16 strenuous and increasingly harrowing days in the U.S. meeting a few average Americans, talking once with some labor leaders, fencing several times with the press, touching bases twice with U.S. government leaders—and, above all, zeroing in on the American businessman.

If Anastas Mikoyan, First Deputy Premier of the Soviet Union, crumpled into his plane seat Tuesday afternoon with a sense of relief that his mission was over, no one could have blamed him. After a first week of rather smooth sailing, his American journey ran into rough weather. And by the end everyone's stomach seemed a little sour, even Mikoyan's.

It wasn't just Washington's final refusal to budge on Berlin and on trade that upset Mikoyan. Even the American businessman, on whom he had pinned such high hopes, seemed to develop a distaste for his salesmanship and his oft-repeated wisecracks. Before his departure, there were some signs that both the government and business had turned the tables on him.

## I. Changes in the Picture

On Jan. 4, when Mikoyan arrived, the Soviets had just put their Lunik in orbit around the sun, and they still were muttering threats about driving the West out of Berlin. If anything special was on Mikoyan's Washington agenda, so the speculation ran, it must be Berlin. But U.S.-Soviet trade also would be on his mind if Mikoyan's own background and an increasing number of Soviet trade inquiries meant anything.

By the time the Deputy Premier had briefly touched bases in Washington and started his talks with business leaders in the Middle West, U.S. officials had sized up his main objectives. He aimed to:

- Probe for any soft spots in Washington's Berlin policy, to see if Moscow could safely win at least a partial victory there—one that would ratify the division of Germany and the Soviet hold over all the satellites.

- Drive a wedge between business and government on U.S. cold war policies, especially on American-Soviet trade, disarmament, and Berlin.

- **Cooling Off**—After two weeks, even Mikoyan seemed to realize that he was getting nowhere with either of his objectives. Toward the end of his visit

he made fewer wisecracks, dropped fewer honeyed words, turned to heavy-handed polemics, and uttered scarcely veiled threats. The change in Mikoyan came when both the government and business switched from a basically defensive attitude to an open challenge of Mikoyan's position.

This week, after Mikoyan had failed to shake Pres. Eisenhower and Secy. of State Dulles, the State Dept. was thinking in terms of putting Moscow on the spot at a Big Four foreign ministers meeting. Some officials even wondered if this wasn't the right time to think about pushing the Russians to back up in Central Europe, rather than merely considering ways of keeping Soviet gains in Berlin to a bare minimum (page 79).

- **Post-Mortems**—This week, also, a post-mortem was being conducted by the businessmen whom Mikoyan had reached in six major cities. These, in order of Mikoyan's appearance, were Cleveland, Detroit, Chicago, San Francisco, Los Angeles, and New York. Most of the businessmen had, if anything, hardened their attitude toward the Soviet Union as a result of their exposure to the tough old Bolshevik.

This was especially true of the large group of industrialists and bankers who met or heard Mikoyan at a dinner meeting of the New York Economic Club, Jan. 14. Under tough questioning by Elliott V. Bell, editor and publisher of *BUSINESS WEEK*, Russia's Deputy Premier displayed guile, shifty tactics, and a "you're to blame" attitude. He denied that Moscow had been dumping industrial materials in Western markets; said that Russia has a freer press than



**NEW YORK** program was shared with Indian Ambassador Chagla and Gabriel Hauge; Mikoyan fared badly under questions.

# But Businessmen Turn Cool

the U.S.; and suggested that ousted Soviet leaders get a better break than the "outs" in American politics. It was these qualities, not the disarming approach he invariably used, that left its mark on businessmen.

• **Businessmen's Complaints**—The top executive of a big chemical company, for example, was complaining bitterly this week about Mikoyan's "gall" in asking for his company's knowhow in polyethylene. A publisher still couldn't get over his amazed shock when Mikoyan defended the Soviet refusal to respect international copyright laws by saying, "That makes it easier for you to pirate our books." The president of an aircraft firm commented: "He is the type who would smile while plunging the knife deep into your back. He is a clever man, a man to be feared."

To a banker in New York, the Deputy Premier said: "Before I came I knew the common man in America wants peace. But I wasn't sure about the businessman. Now I know the businessman wants peace." There he stopped, and by leaving things hanging that way, so the banker felt, Mikoyan was implying that the U.S. government doesn't want peace.

These are personal reactions, and even the businessmen who react this way have a feeling the visit was useful.

• **Ending an Illusion**—One business organization, the Committee for Economic Development, considered that it really had accomplished something by having 14 members of its executive committee dine with Mikoyan in New York. For one thing the CED pinned down a commitment that the U.S.-Soviet cultural exchange program should include reciprocal visits by Russian and American economists. Up to now Moscow has resisted U.S. efforts to this end.

At this dinner meeting, the last Mikoyan had with a business group, CED officials felt that they had finally removed a false impression nursed up to now by the Deputy Premier. This was his notion, not unnatural for a Marxist, that business runs the government in this country—and that businessmen, once they saw the futility of the cold war, would get U.S. foreign policy changed.

## II. Making Up to Business

Whether or not Mikoyan harbored such an illusion when he decided on his U.S. trip, there is no doubt that he carefully mapped out a cross-country schedule that gave him access to many of this country's business leaders.

In almost every case, Mikoyan

(through the Soviet Embassy in Washington) made his arrangements for lunches and dinners through a business leader who had recently visited the Soviet Union. Without exception, it seems, he invited himself, whether it was to a lunch in the executive dining room of the Ford Motor Co. or a dinner of the New York Economic Club in the Waldorf Astoria.

• **Picking the Men**—In Cleveland, Cyrus S. Eaton was an obvious choice, and he proved to be Mikoyan's most effusive host. (Eaton, said Mikoyan, "has become more popular in our country than any capitalist has ever been before.") In Detroit, Walker Cislser, president of the Detroit Edison Co., was a natural contact because of his visit to Russia last summer as leader of 10 electric power company executives. Edward Ryerson, retired chairman of Inland Steel Co., was picked as a Chicago host for a similar reason.

Eric Johnston, a more publicity minded visitor to Russia, acted as host for a big do in Los Angeles. To set up lunch at New York's First National City Bank, the Russians worked through Robert W. Dowling, president of both the American National Theater & Academy and the City Investing Co.

Involved in all these arrangements, at one stage or another, was the State Dept. division charged with fostering cultural exchanges with Russia.

• **Story of an Invitation**—Here is a blow-by-blow account of how Walker Cislser became host at the dinner thrown for Mikoyan at the Detroit Club. (About 60 businessmen attended and many more tried to get in.)

On a late afternoon the week before Mikoyan's arrival, Cislser's office got a phone call from the Soviet Embassy in Washington, from Ambassador Menshikov. Cislser was not in, but his office relayed the message to his home, and that night a little after 7 p.m., Cislser returned Menshikov's call. Menshikov told him that Mikoyan would be arriving in this country and wanted to see Detroit, where he had been in 1936, and especially wanted to meet Henry Ford II.

Menshikov asked if it would be possible for Cislser to arrange the visit. Cislser told him that the group he was with in Russia last summer was very cordially received, and that anything he could do, he would personally wish to do. Menshikov said that was why he was calling Cislser (whom he had met at an Embassy function). Cislser told Menshikov he would call him back in 24 hours.

Cislser then called Ford and explained

the situation to him. Ford agreed to have a luncheon for auto executives, bankers, and publishers. Cislser said he would stage the big dinner. After calling Menshikov back, Cislser checked with the State Dept., to advise it of the plans. State was interested, but neither approved nor disapproved.

Cislser takes the view that Mikoyan was here only "trying to get the feel of our growth." The visits from Soviet citizens are a good thing, Cislser feels. And it was especially useful to have a man like Mikoyan come to the U.S.

• **Impressions**—At the Ford lunch, according to American Motors' Pres. George Romney, Mikoyan made no specific trade proposals. But, says Romney, "there is no question in my mind that he wants to deal directly with American businessmen rather than going through our government."

Another guest at the lunch, Detroit Times publisher Phil deBeaubien, left with the feeling that the Russians now realize a nuclear war would wipe them out as well as us, and look to the use of economic means to overpower the rest of the world.

In Chicago, businessmen at the Chicago Club lunch thought Mikoyan handled himself well, but didn't inspire trust. "I didn't learn a thing about Russia, but I learned a lot about one Russian," said John McCaffrey, retired chairman of International Harvester. Ryerson, tapped by Menshikov as host, felt it was an interesting experience that didn't bear much fruit.

• **Morning-After Feeling**—In Los Angeles, Mikoyan talked of the large volume of business Russia wants to do with the U.S.—as much as \$2-billion in the next two years, if Washington will grant credits. Whereas earlier he had stressed Russia's interest in chemical plants (including synthetic fibers), in California he also talked of new electronic equipment needed for automation.

Californians who met Mikoyan got the impression that the Soviet leader gets along with American businessmen better than he does with the government figures he has had to deal with. At one of the meetings, he remarked that he would rather deal with a man like Eric Johnston than with the politicians of this country.

But a group of San Francisco businessmen who flew down to the Los Angeles dinner had a sense of frustration as they discussed Mikoyan on their return flight. Their consensus: "We had met the No. 2 man but learned damned little from him. We asked ourselves, was it really worth while?"

# Russia's Newest Trade Weapon

**Samples of school lab equipment are exciting U. S. makers and customers—quality is so good and prices so low.**

Following a pattern laid down in aluminum and benzene, the Soviet government's next invasion of the U. S. market will come in the school laboratory equipment market. That seemed clear this week as the first sample lot of 26 items arrived in the U. S. The Soviet offer: delivery of the items, f.o.b. New York, at an average price only one-fifth of prevailing prices for comparable U. S.-made items.

In the opinion of educators who viewed the sample Soviet items, there is no question of the quality of merchandise up for sale. "They are," as one expert put it, "fantastically good."

"It would be impossible," according to one MIT scientist who carefully inspected the numerous spectrometers, microscopes, navigation instruction equipment, rotators, and the like, "to hope to buy anything of similar quality made domestically for six times the price. They're offering a top-grade spectrometer for \$53, f.o.b. New York, including tariff," he points out. "That's about one-third the price of the cheapest spectrometer on the U. S. market today. And the Russian equipment is good enough for a number of industrial uses, too."

• **Growing Market**—The first shipment to be sold in the U. S. by the Ealing Corp. of Cambridge, Mass., will be valued at \$45,000. This will bring in 300 to 500 of each of 12 different pieces of equipment.

The total U. S. market for school lab equipment is currently about \$6-million a year. But with the new federal bill for education, some experts think the total sales potential in the U. S. could run many times higher in the years just ahead.

• **American Worries**—Reaction of U. S. school lab equipment makers to the latest Russian move is a mixture of anger and frank incredulity. In an industry dominated by two manufacturers—Central Scientific Co. and W. M. Welch Scientific Co., both of Chicago—most companies admit they can't hope to fight back against price cuts of this magnitude.

Disturbed as they are over what would seem to be a stunning blow to their business outlook, however, they're banking on the belief that this is just another step in a larger Soviet plan to unbalance first one and then another section of the U. S. business community.

"Maybe," a manufacturer of micro-



**RUSSIAN** navigation training instrument is unpacked by importer Paul Grindle as part of consignment of school lab goods.

scopes suggests hopefully, "they'll shift their interest to somebody else soon."

In the past, this has been the pattern—a large supply of Soviet merchandise would suddenly appear on the market, then as suddenly dry up.

Official Washington is even more unconcerned about the latest Soviet economic maneuver. The average duty on scientific educational materials imported into the U. S. from Iron Curtain countries is about 42%, they point out. This is about as high a tariff bracket as you can find on any legal Russian-made item brought into the States. And it should be enough to protect the U. S. manufacturer, officials say.

• **Mass Production**—Why this may not be the case—and why the Russians apparently feel they are now in a position to export quality-grade equipment of this type—is a question that interests industry representatives who have seen the sample items.

One logical answer is supplied by Paul D. Grindle, president of the Ealing Corp. Print order numbers on the instruction books accompanying some of the instruments, he says, indicate that, compared with ours, the Soviet school lab instrument industry is huge.

Science education was one of the announced goals of U. S. S. R. leaders, and one of the first things the postwar Russian economy was tooled up to supply. As a result, the Soviet-produced equipment is the only equipment of its kind being mass-manufactured anywhere in the world today.

• **More to Come**—The economics of mass-manufacturing any standard item are well known. Having amortized en-

gineering and development costs, the Soviet production machine has undoubtedly reached a point at which it costs hardly more than the price of materials to extend production of scientific lab equipment a few hundred thousand items more.

This puts the U. S. S. R. in a position to sell its run-off in world markets on a cut-rate basis. On the basis of reports coming out of Russia, the same over-run may occur sometime soon in other things from communications equipment to high-speed cameras. Grindle himself brought back a suitcase full of catalogs of electronic equipment.

• **Making Contact**—How this particular deal came about is a story of startling simplicity. Ealing's Pres. Grindle happened to notice a picture on the cover of the U. S. Physical Society's Physics Today showing a Russian physics teacher at work in his classroom. On the table top in front of the teacher was an array of lab equipment that would be unusual in a typical U. S. physics classroom.

Grindle asked the U. S. Dept. of Commerce about the legality of importing sample lots of this equipment and found that it was completely within the law. He inquired about the equipment at the Russian Embassy in Washington and was promptly referred to Amtorg—the Soviet trade corporation in New York. Amtorg suggested a note to the proper authorities in Moscow. This was answered by an encouraging letter and a list of 96 laboratory equipment items that the Soviet Union would be willing to sell, with estimated sales prices.

• **Mission to Moscow**—Grindle then decided to go to Moscow to look over this bonanza for himself. He found a well-organized sales setup, prepared to handle his requests. Proper Ministry of Trade officials were available for discussions. Raznoexport, the Russian agency charged with handling Soviet consumer products, permitted him to examine any of its sales products.

Almost as startling as this organization and planning is the significance of the quality of the Soviet lab equipment. University professors, looking at the equipment, are flabbergasted at its educational implications. The Soviets seem to have planned it for use in classrooms up to the 11th grade level. In the U. S., it would be adequate in classrooms up to and including the first year of college.

Moreover, all of the instruments were obviously designed by people who understand and care about science education. "The most awful part about what we saw," says one professor, "is how embarrassingly good it is."



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to Norfolk, Va.	110¢
to Philadelphia	110¢
to Detroit	110¢
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Add 10% Federal Excise Tax

Lee Fastener Corporation, a New York slipper firm, telephoned a California golf bag company (collect)—got a \$600 order. Lee now averages two orders from every three out-of-town calls.

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"Just a few moments ago I saw your advertisement [reproduced above] and it gave me an idea. We had a sale hanging fire, so I placed a Long Distance call to the prospect.

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James A. Lovell, Vice President

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*Long Distance pays off!  
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# Housing Heads for All-Out Battle

● Administration sees no need for more than minimum federal aid; Congress Democrats want to step it up.

● Chances are Eisenhower will get a bill so distasteful he'll veto it; Democrats hope to override him.

● Separate battle is brewing on extending Fannie Mae's emergency credit aid for low-cost GI and FHA housing.

The Democratic Congress and the Republican Administration squared off this week for one of the big—and really important—fights of 1959. The issue: what the federal government should do for housing.

It is now apparent on all sides that the housing industry was a big factor in last year's economic recovery. Preliminary 1958 figures show about 1.2-million new housing starts—15% more than in 1957, and the best production for any year since 1955.

• **Drawing the Lines**—Reading the 1958 figures in the afterglow, they agree on one thing: The industry responded, with amazing resiliency, to emergency federal measures—inspired by the business recession that began in 1957—to maintain a steady flow of housing credit.

But there the agreement comes to an end, and the opposing lines are drawn:

• **Pres.** Eisenhower and the men who counsel him take the line that the economy has righted itself and the future is good. The Administration wants federal assistance to be relatively small for the diverse programs that come together under the broad definition of housing.

• **Most Congressional Democrats** disagree violently. With unemployment hovering around 4-million, they tend to be economic pessimists. They want to maintain the current housing boom, even drive it to new heights.

• There is yet another element in Congressional thinking. Most Democrats, and increasing numbers of Republicans, see a strong federal housing program as a worthwhile social welfare instrument.

## I. What's in Store

This, then, is the background against which work began this week on a broad housing bill for 1959. It began in the Senate's Housing subcommittee, which is considering a liberal housing package offered by Chmn. John J. Sparkman. Next week, a comparable House subcommittee—under the guidance of Sparkman's fellow Alabamian, Rep. Albert Rains—begins hearings on a

package that is even more generous in some key positions.

Chances are that Eisenhower, before Congress takes its Easter recess, will be confronted with a housing bill so distasteful that he will veto it. Democratic leadership of both the Senate and House is willing to gamble, on the basis of preliminary vote counts, that a veto can be overridden by a two-thirds majority.

• **Issues**—Here are some of the important areas of conflict:

• **Public housing.** Eisenhower wants no new starts. Rains proposes 35,000 units this year; Sparkman, 17,500.

• **Urban renewal.** Eisenhower asks for \$250-million, with the federal government's share of land purchase and improvement costs (now two-thirds) put on a declining basis. Democrats oppose the latter, want \$500-million to \$600-million for the basic program of capital grants.

• **GI loans.** The President wants the 4½% maximum interest rate on GI mortgages raised to the FHA level, 5½%. Congress will balk. Sparkman's bill advocates propping up the GI program with \$300-million for direct home loans to eligible veterans.

• **College housing.** Eisenhower wants \$50-million of new loan authority, plus a rise in the interest rate to cover Treasury borrowing costs. Democrats will vote \$400-million to \$500-million, and will not tamper with the interest charge.

## II. The Credit Flow

There is yet another area where the basic disagreement between Eisenhower and Congress will come to the fore. Eisenhower did not request any new funds for the emergency \$1-billion program put into effect last spring, through the Federal National Mortgage Assn. (Fannie Mae), to keep credit flowing into low-cost FHA and GI homes.

The \$1-billion voted by Congress in April was committed within a few months. Under the program, builders of \$13,500-or-less homes could take an

FHA or GI mortgage commitment to Fannie Mae, which in turn would purchase the mortgage at face value, or par.

This week in Chicago, where the National Assn. of Home Builders gathered for its annual convention, most builders were willing to agree that this special assistance stimulant was one of the genuinely potent factors in the surprising 1958 housing boom.

• **Bill**—Rep. Rains' bill proposes a new dose of the same credit money—\$500-million more for Fannie Mae's special assistance program to low-cost GI and FHA housing.

Moreover, the Rains bill would expand Fannie Mae's role by permitting the agency to extend its stand-by purchase commitments to existing homes—as well as proposed new construction. This brings another potent lobbying force, the National Assn. of Real Estate Boards, into line behind Rains.

Odds appear to be better than 50-50 that Congress will accept the Rains proposal. Such an extension does not appear in Sparkman's bill, but the senator is portrayed as willing to have it included if the industry shows any interest.

One change does appear to be imminent. Fannie Mae likely will not be required to make such purchases at par, but only at levels required to keep money going steadily into this big, non-luxury portion of the home market.

• **Backing**—In Chicago, where the 10,000 builders and 30,000 others from related and dependent industries met this week, financing was the hottest topic. Nels G. Severin, the retiring president of NAHB, says the industry in 1959 will be just as good as the money market will allow. Severin rates the present credit supply as tight as at the most critical point of 1957.

Among rank-and-file builders, the consensus seemed to be that the industry's future hinges almost entirely on Washington action. Congress is in a mood to listen to recommendations.

• **Long-Range**—But whatever housing legislation is finally written this year, it may turn out, by the end of 1960, to be merely a transitional step. For Sparkman's Senate subcommittee, once it gets through with the 1959 omnibus housing bill, will turn to an intensive study of long-range problems. It hopes to come up with major new legislation next year.

Sparkman is particularly interested in ideas for maintaining a long-range flow of credit during the coming decade. The U. S., he says, will then be needing, not 1.2-million, but up to 2-million new housing units each year.



Eight 1664 cfm Fuller rotary units compressing to 120 psig in tandem sets to four 700 hp electric motors. Compressor plant supplies 13,200 cfm load to oil refinery—for tools, machinery, air lines and other pneumatic uses.

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Simple design, rugged construction and precision manufacture are the “secrets” of Fuller rotaries’ dependability. The only moving parts are rotor, blades and bearings. There is no reciprocating action—hence no vibration. Smooth, quiet operation permits installation on light-weight foundations, on upper floors—saving in weight, bulk and cost of installation.

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# In Business

• • •

## Westinghouse Offers Big Reactor, Sees Power Competitive in High-Cost Areas

Westinghouse Electric Corp. is ready to build a 330,000-kw. nuclear power reactor that it believes can be competitive in 1965 with coal- and oil-fired producers in U. S. areas where fuel costs are high.

It is Westinghouse's first prediction of competitive nuclear power, and it involves the largest reactor anyone has offered to build. General Electric wants the power industry to spend \$138-million for five developmental boiling-water reactors aimed at leading to competitive power in high-cost areas, also by 1965 (BW—Nov. 8 '58, p85).

Right now, Westinghouse has no proposal for its big reactor, and the market is small, since few systems could handle so many kilowatts in a single turbine-generator, especially in high-cost areas.

• • •

## Airline Can Charge Premium Fare For Jet First-Class, but Won't Do It

On the eve of this weekend's inauguration of the first transcontinental jet service, American Airlines scored in one skirmish over fares but lost in another.

CAB voted to let American add a surcharge to first-class tickets in Boeing 707 jets between New York and the West Coast—but it disallowed a similar premium for coach seats on the same jets. American and other domestic lines with jets going into service had wanted a surcharge across the board for the new planes, to help pay for their conversion to jet-propelled fleets (BW—Jan. 17 '59, p31).

With the coach increase rejected, American says it won't impose the first-class surcharge for jets. If it did, says the airline, a first-class passenger would be paying too much (\$70.75 from coast to coast) more than a coach passenger on the same plane.

• • •

## Administration Seeks a Law to Cut General Aniline's Gordian Knot

The Administration is seeking a new law that would slash red tape and so enable it to sell the \$100-million General Aniline & Film Corp., seized in 1942 as enemy alien property.

Previous efforts to sell the company have been hopelessly enmeshed in litigation brought by the former owner of record—Interhandel, a Swiss holding company—and the German I. G. Farben, which claimed last November to be the real owner.

Under the proposed law, the government would be able to sell the GAF stock, with the proceeds held in escrow to satisfy successful claims. Three syndicates have already expressed interest in buying. One is headed by Bache & Co., another by Blyth & Co. and First Boston Corp., the third by Lehman Bros., Glore Forgan & Co., and Kuhn Loeb & Co.

However, chances for the bill are none too rosy. A faction in Congress is already pressing for full return of enemy alien property.

• • •

## Navy's Controllable Rocket Engine Promises to Aid Moon-and-Back Trips

Hardware for the next round of missiles took shape in research developments this week.

A liquid rocket engine that should help land man on the moon and bring him back alive has been developed by the Navy. What's new in it are (1) a fuel head valve that meters fuel and oxidizer into the combustion chamber, and (2) the use of chemicals that ignite spontaneously on contact with each other. By permitting control of missile speed, the engine takes much of the danger out of reentering the earth's atmosphere.

The small, long-lived atomic electric generator, much heralded of late, has been officially announced by AEC. The device, developed jointly by the Martin Co. and Minnesota Mining & Mfg. Co., produces electricity from the radiation of a radioisotope in much the same way that the recently developed solar batteries produce it from sunlight. For powered satellites, the device has the advantage that its efficiency increases as temperature drops, unlike conventional batteries.

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## Business Briefs

An advisory board of 10 social scientists and financial specialists was named this week to map strategy and recruit scholars for next summer's massive delving into the U. S. monetary system, its ills, and their cures, under the auspices of a 25-man Commission on Money & Credit, set up by the CED (BW—Oct. 25 '58, p27).

Sen. Estes Kefauver's Antitrust & Monopoly subcommittee will take another look at auto financing, in the wake of Ford Motor Co.'s decision to reenter the field (BW—Jan. 17 '59, p36). Subcommittee members said they feared that Chrysler, too, might set up a financing subsidiary—the company denied any such intention—and so give Detroit's Big Three a dominant place, squeezing smaller finance companies.

The popularity of boating is outdistancing the ability of communities to finance harbor facilities (page 48). So Rep. George Fallon (D-Md.) has introduced a bill by which the Community Facilities Administration could guarantee up to 90% of value on such facilities—with insurance fees and premiums aimed at keeping the program self-sustaining. Up to now, the bill has aroused little enthusiasm among legislators.





## America's electric power program surges ahead on rails of steel

**Another example of how railroad progress goes hand in hand with U. S. progress**

The growing demand for electricity — electric power for homes, industry, national defense — requires vast new power projects in every section of the country.

And essential to the building of these tremendous installations are America's progressive railroads. They haul everything from heavy construction materials, huge generators and transformers to the most delicate wiring, switches and tubes. They move millions of tons of coal to generating stations. No other form of transportation can carry such massive amounts of material with the efficiency and economy of the railroads.

In fact, the railroads are absolutely essential to our economic growth and national defense. The country couldn't do without them. That's why the railroads should be allowed equality of treatment and opportunity with their competitors.



**RAILROAD PROGRESS:** Modern, efficient snow-removal equipment keeps the railroads going strong when other forms of transportation are slowed to a halt.

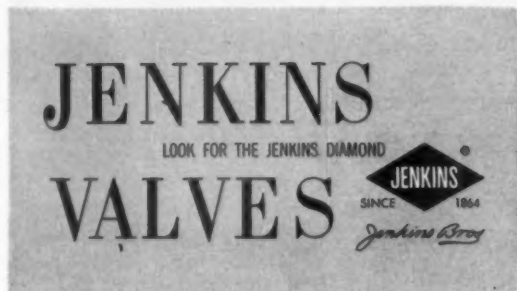
**AMERICA MOVES AHEAD WITH THE RAILROADS**

Association of American Railroads, Washington, D. C.



**ESSENTIAL TO THE NATION'S ECONOMY**





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recommended for your  
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where you cannot keep  
other valves tight —  
and if it is not perfectly tight  
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than any other valve,  
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in every Jenkins catalog since 1869,  
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a unique assurance of dependability.*

# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
JAN. 24, 1959



**Federal spending still is on the rise, long-term.**

Even Eisenhower's 1960 budget message confirms this. News stories of the past week have played up the big swing—the budget numbers (page 25) that show (1) a cutback of nearly \$3.9-billion from this year's estimates of spending and (2) a balanced budget replacing a deficit of nearly \$12.9-billion. But this is only part of the picture.

Here are points to keep in mind:

Most Eisenhower cuts will be easy if Congress will go along. The bulk of the proposed saving as between this fiscal year and 1960 is in so-called nonrecurring items—such things as temporary extra unemployment compensation and government buying of home mortgages—and estimates of lower farm costs, which may or may not develop.

Basic programs will not be axed. That's the important thing.

**The budget itself forecasts higher spending levels for the future.**

Note well Eisenhower's own references to the rising population trend and the demands this will make on the government in the future. On defense, remember that strength is relative. What the U. S. is trying to do is to maintain a relationship with Russia's strength. As Russia grows in industrial and military power, the U. S. will have to spend more, simply to remain as strong as it is today. Many Washington observers are convinced that the total of government spending will hit \$100-billion in the next 10 years. This estimate assumes no big wars—just growing demands on Washington.

As for tax relief, you just might get a little next year. Current figuring at the Treasury and the Budget Bureau points in this direction. But there are many "ifs"—if Congress will stick close to Eisenhower's proposals this year, if business stays on the climb. An added factor is that 1960 will be a Presidential election year, so both the Republican White House and the Democratic Congress will be out to court the voters. If there is a cut, it won't be big. Government spending plans have a way of sopping up increased revenues.

How determined is Eisenhower on the budget? There's no doubt that his feelings as of now are on the "crusade" side. He worries about what inflation might do to the dollar if spending gets out of hand at a time when the whole economy is on the rise.

So you get a lot of tough talk right now. Eisenhower publicly warns he will veto Democratic-sponsored bills that he feels are harmful to the economy.

Can Eisenhower make spending vetoes stick? The outcome will be very close. The White House already is dickering to line up the necessary one-third in the House and Senate to support Presidential "NOs." And it may be able to do this on many spending bills.

Teapot tempests are nothing new in this town. Gossip columns overflow with reports of the Johnny-come-lately hostess who has made the mistake of misseating dignitaries at her party.

Once in a while, one is significant. The teapot tempest tips off the mood of the nation's leaders. That's what we want to tell you about.

# WASHINGTON OUTLOOK (Continued)

WASHINGTON  
BUREAU  
JAN. 24, 1959

Note the CEA report to Congress—that's the report of the President's Council of Economic Advisers. This wordy document originally had a pink cover.

White House reactions were quick and positive. The presses were stopped. The cover color was changed, from the pink to a shade of gray.

**Significance is this:** The White House wasn't concerned about ideology—the political impact of the color. It was concerned, though, that some Democrat would relate the cover to Eisenhower's budget—call it an admission that the figures, while short of red ink, were shaded that way.

—•—

**How does the budget work politically?** You can get many answers. Everyone likes the idea of a tax cut, even if it is in the future. And everyone likes the idea of policies that will keep the cost of living stable. Eisenhower promised both in his message. His party followers couldn't help but applaud. But that's where the GOP cheer stopped.

**Democrats will make political hay out of the budget.** The economy proposed by Eisenhower is at the expense of many of Washington's most potent lobbies, some of them backed by big-voting interests.

**Start with agriculture.** The President singled this out for one of his major cuts. GOP leaders don't see how they can use this to regain the farm seats they lost in 1954, 1956, and 1958.

**Eisenhower hit the veterans twice.** In the first place, he wants them to pay prevailing interest rates on home buying. Then, he wants to weed out the benefit rolls—base payments on need.

**Co-ops also got the back-of-the-hand.** Eisenhower wants the REA electric and telephone co-ops to pay the going interest rate on their loans instead of only 2%.

**Other "special interests" have their problems.**

**Public power,** under Eisenhower's proposals, would lose the preferential interest rates it has enjoyed for years. Rural electrification would have to pay prevailing interest rates, instead of the subsidized 2%, and the big government projects, such as TVA, also would be exposed to the market winds.

**Airlines** would have to pay more for the government services they get, for modernization of airports and airway facilities.

**Eisenhower's budget policy is tough—the toughest** that long-time Washington observers can remember. Question is whether it is politically realistic. In the past, the White House has been blamed for national ills, no matter who ran Congress. That's the GOP's top problem.

—•—

**The South's non-integration stand is cracking.**

**In Virginia,** federal and state courts invalidated all of the laws that made up the state's massive resistance program.

**In the Senate,** Democratic leader Lyndon Johnson surprised both sides, North and South, with his civil rights bill. Schools aren't mentioned. But the power of the Justice Dept. to protect Negro voters would be strengthened. Neither side is enthusiastic about the bill, but it just might pass.

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## Parts determine downtime costs

Few parts affect downtime costs so drastically as the bearing. For a single bearing failure can halt a key machine, bring production to a standstill—turn damage into disaster.

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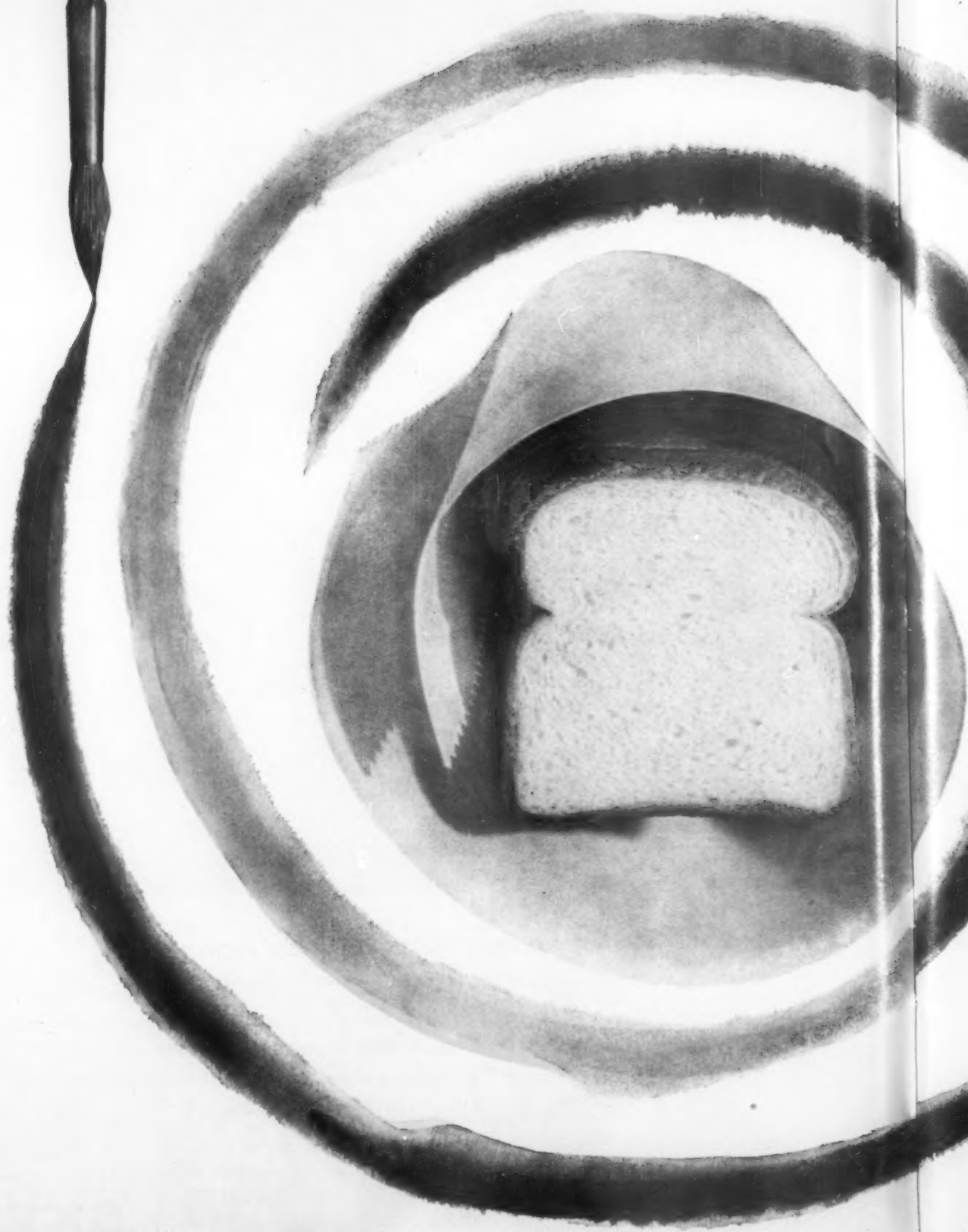
EVERY TYPE—EVERY USE


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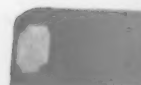
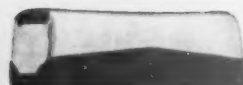
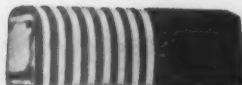


To move bread from supermarket shelves  
to customers' shopping carts takes  
careful planning of wrappers. They  
must be designed to stand out on the  
shelf—and to appeal to taste, too. This is

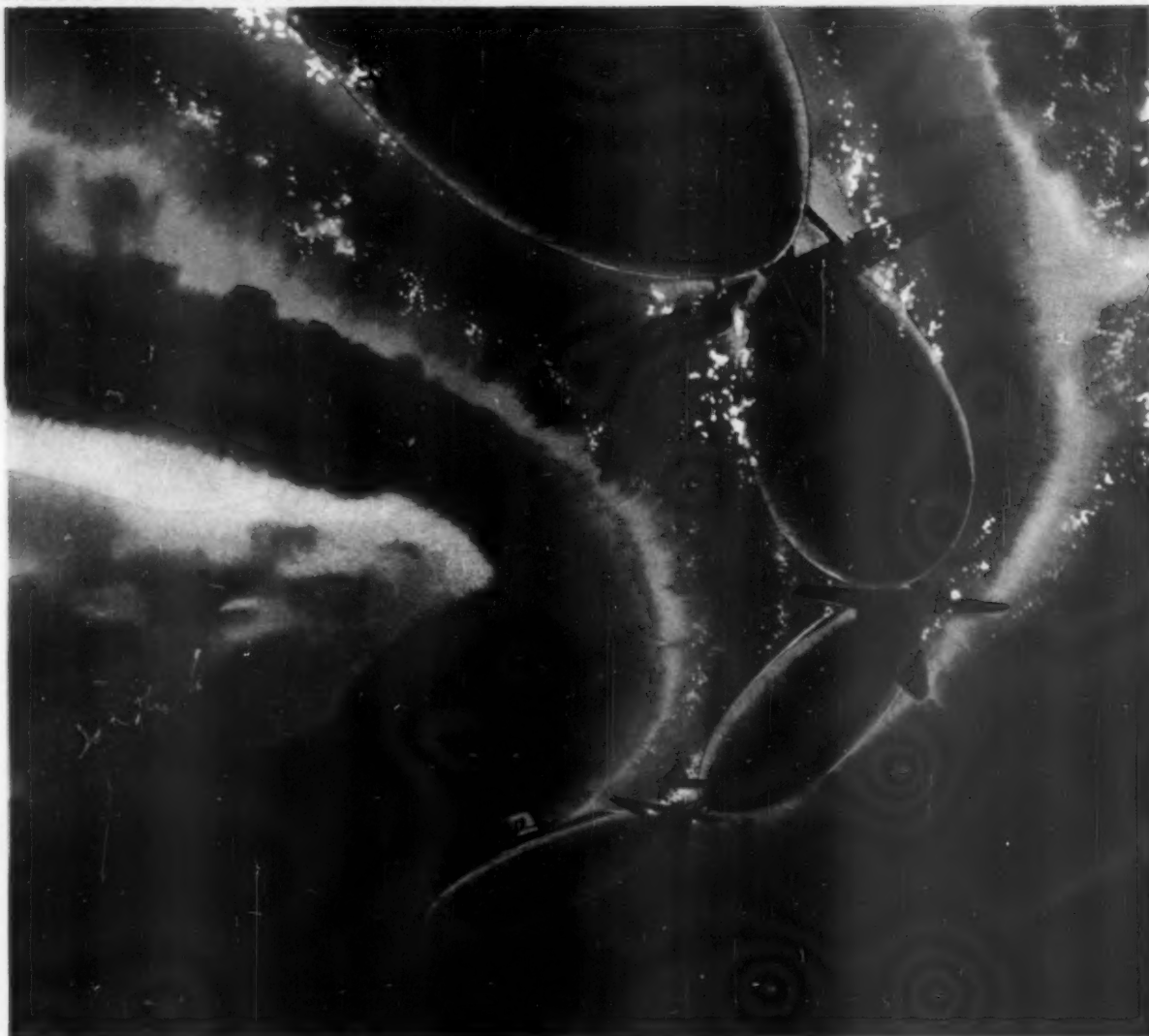
## **the art of selling bread**

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Paper Corporation Division puts it into  
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**FISH FULL OF FREIGHT . . .** Transoceanic freight may someday be carried aboard atomic-powered submarine freighters towing underwater barges. These ships, unaffected by weather, traveling at top speeds and carrying the heaviest loads, will be safer and more dependable than surface transport and may even shorten some trade routes. When submarine freighters become a reality, it's a safe bet that stainless and heat-resistant steels and alloys will be "on deck." For these materials have hundreds of applications — from parts in the nuclear power plant to galley equipment.

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# In Production

• • •

## Brewer Credits Integrated Process

### For Aluminum Cans at Competitive Cost

Aluminum beer cans are making their U.S. debut in the Denver area. Adolph Coors Co., Golden, Colo., is pouring its brew into cans made by Aluminum International, Inc., which it owns jointly with Beatrice Foods Co.

The big obstacle to aluminum cans has been their higher cost over tinplate steel. But Coors claims they can be competitive if the brewer makes his own cans in an integrated process. Coors melts aluminum ingot and casts a continuous strip, from which  $\frac{1}{16}$ -in. slugs are punched. The slugs are heat-softened and then extruded into cans at a rate of 7,000 an hour. Labels are printed on the metal and an internal vinyl coating is baked on before the cans go to a filling plant.

Coors is marketing its slugs and extrusion presses so other brewers can gear can-making to beer production, eliminating buying, transporting, and storing empty cans. Hawaii Brewing Co. has been making cans from the slugs since last July, saving the cost of shipping empty tinplate cans from the mainland to the Hawaiian Islands.

Aluminum cans have been made for other foods by deep drawing instead of impact extrusion, and for oil by cutting three pieces from sheet, like tinplate cans, and cementing them together. But to compensate for the higher cost of the metal, the oil cans must be collected from users and returned to the can makers for remelting. And this, say oil men, is difficult.

Coors claims that it does not need to use reclaimed metal to bring its cans down to a competitive level with tinplate. But it is offering 1¢ a can for the used containers (which brewers consider a marketing drawback) to prevent litter.

Aluminum cans offer longer shelf life than tin and cost less to ship, but may dent more easily in handling.

• • •

## 35-Passenger Hydrofoil Ferry Speeds

### Virgin Islands to Puerto Rico Service

A hybrid craft that "flies" over the water on submerged foils or wings is beginning to establish itself in inter-island ferry service. This month the hydrofoil "Flying Fish" began carrying passengers between Puerto Rico and the Virgin Islands.

The hydrofoil's chief attraction is its speed—it travels twice as fast as an ordinary boat. The Fajardo-Charlotte Amalie ferry makes the 70-mi. run with a 35-passenger load in less than two hours. Roundtrip fare is \$16.50.

The \$200,000 "Flying Fish" was built by Cantiere Navale e Officine Ferroviarie, Messina, Italy, builders of the fleet of hydrofoils operating between Sicily and Italy for the past three years. Experience with these ferries indicates that the operating cost of the new Caribbean craft should be about \$2 per mile—more than for a con-

ventional ferry, but considerably less than for a plane.

Cantiere Navale will build a \$500,000 factory in Puerto Rico this year to make hydrofoils ranging in size from four-seaters to 120-ton boats for 300 passengers. And the U.S. Maritime Administration recently awarded Grumman Aircraft a \$250,000 contract to design a 250-ft., 600-passenger hydrofoil liner.

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## Stubborn Molybdenum Cast Into Shape

### For First Time in Government Lab

Bureau of Mines scientists last week produced the first large-size casting of molybdenum to shape. It was a hollow cylinder 4.5 in. wide and 8 in. long, cast from a 30-lb. charge of molybdenum.

Its great strength at high temperatures makes molybdenum important in the aircraft, missiles, and chemical process industries, as well as in steel alloys. But this same virtue, a melting point of 4,748F, has frustrated previous attempts to cast it into shapes: The crucibles melted before the molybdenum did.

Scientists at the bureau's Albany (Ore.) laboratory finally got around this problem by using a high-density electric arc, operated by remote control in an inert atmosphere, to melt the molybdenum in a water-cooled, copper-lined pot. The molten metal was then poured through a series of troughs into a rotating graphite cylinder that forced it to the walls, where it consolidated into the cylindrical shape.

If the process can produce casts of specified shapes with the same strength and characteristics now achieved only by extruding, rolling, and machining, molybdenum components will be cheaper and quicker to make.

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## Electromechanical Data Processor

### Tallies Department Sales for Stores

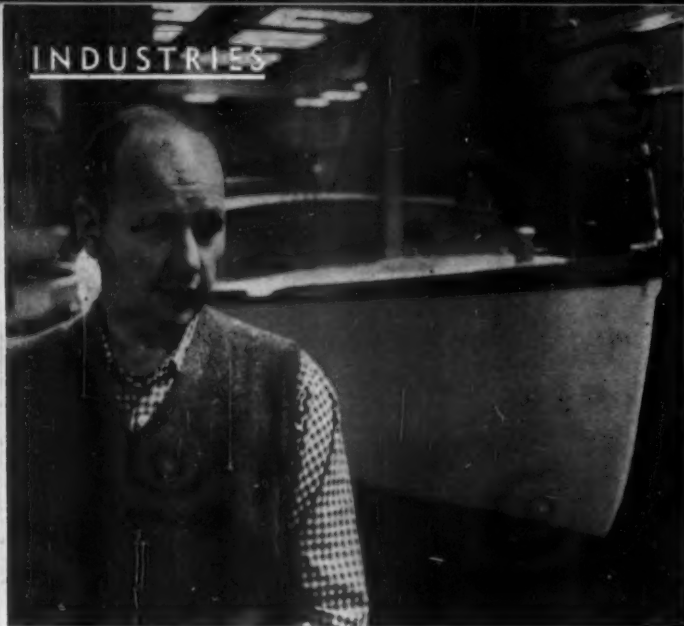
Not all the latest automatic data processing systems are electronic. Matronics, Inc., New York, has come up with an electromechanical system that combines with a cash register to make a relatively low-cost computer.

Most cash registers now keep track of sales for only 17 departments. The new Matronics units can keep separate tallies on goods from 50 up to 500 departments. When a sale is rung up on the cash register, an electrical impulse goes to its memory unit, a series of mechanical stepping switches that store information by moving metal rods in specific patterns. At the end of the day, a mobile readout unit rolls up to each cash register unit, plugs into it, "reads" the settings and types of data.

Matronics has just sold its first three units to three New York stores. Pres. Robert Meisel thinks the new system can simplify retailing by enabling customers to pay for all their purchases at one large-capacity checkout instead of waiting at several limited-capacity cash registers.

Cost of the factory-programed computer ranges from \$2,100 for a unit with 50-department capacity to \$15,000 for one that handles 500 departments. Readout units are priced from \$2,500 to \$7,800.

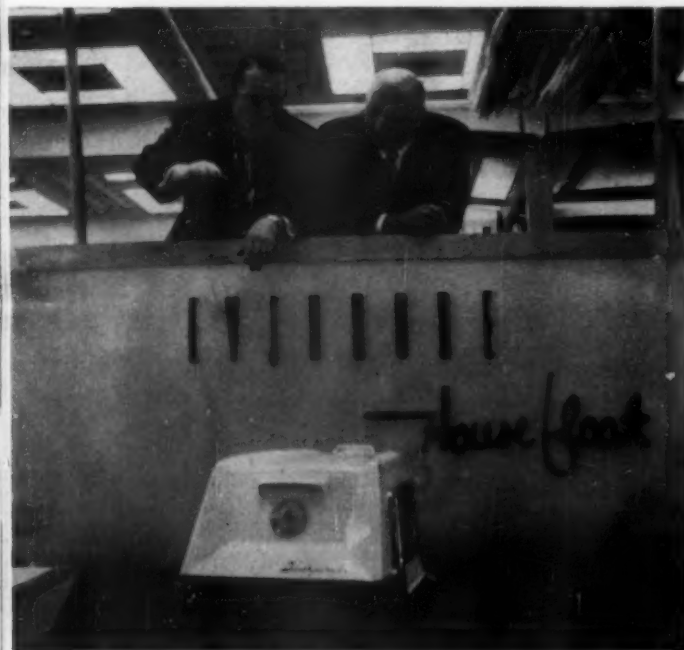




**TRADITIONAL:** Conservative New Englander A. R. True, Jr., builds wooden-hulled sailboats in his family-owned yard. "I'd quit before I'd make boats out of plastic and that glass," he insists.



**SPEEDY:** Pres. L. J. Neiger of Glasspar Co. is introducing new 40-mph. speedster of plastic—which he deems "best material we can find." His four plants can turn out 20 plastic craft daily.



**ORIGINAL:** As a source of new ideas, Outboard Marine Corp. commissioned Brooks Stevens (left) to design outboard-powered "Housefloat." Ralph Evinrude checks the result.



**UPWARD MOBILE:** William T. Higgs, boat yard operator and Matthews dealer, notes increase in trade-ins, especially to bigger boats as soon as family can afford more luxury afloat.

## Boatbuilders Show Wares Aimed

"I thought they would like speed. But, surprisingly, they don't." This is the way Ted Jones, famous designer and builder of high-speed runabouts and record-beating hydroplanes, characterized the public turning out for the National Motor Boat Show in New York this week.

Most of the 400 boat and equipment

makers and dealers exhibiting at the show agreed. The boating public wants safety, style, and a good turn of speed, to be sure—but, most of all, they want a boat the entire family can use and enjoy, exhibitor after exhibitor told BUSINESS WEEK reporters. On style, most manufacturers added, the influence of Detroit's auto designers is still

strong, though tail fins seem to be on the wane.

• **Wave of Boaters**—The 400,000 or more fans ogling the wares on display saw the latest innovations devised by the industry to make sure the boating boom continues unabated. During 1959, some 600,000 families are expected to pick up new outboard motors.



**WOODEN:** R. J. Buckley, sales vice-president of old-line outboard builder Penn Yann Boats, touts company's return to wooden hulls of lapstrake construction after 20 years with other methods.



**SALTY:** George D. O'Day, head of outfit bearing his name, introduces plastic sailboats, urged sailing "get away from the yacht clubs and into community sailing clubs" if it is to grow.



**RIVAL:** Clyde W. Truxell, general manager of GM's Detroit Diesel Div., is confident new lightweight diesels "will compete heavily with gasoline engines for pleasure craft use."



**WORTH MORE:** Sherwood Egbert, chairman of Scott Atwater Div. of McCulloch Motors, predicts \$300-million in outboard sales for '59, claims average motor purchased now costs \$426.

## to Keep the Industry Booming

Last year's sales of an estimated 545,000 engines brought the total number in use to somewhere between 4½-million and 6-million. A hefty share of these sales were to newcomers to the water, and the industry is glowingly convinced that even more people are ripe for conversion. The only deterrent, most experts agree, is the lack of proper fa-

cilities—landing ramps, mooring facilities, marinas, and easily accessible dry land storage areas.

At the New York show, there's merchandise to tempt every taste—from \$50,000 cruisers sleeping eight to ten to the ever popular \$250 canoes. Manufacturers range from old-line craftsmen such as A. R. True, Jr., of Attleboro,

Mass., who considers it a good year if he turns out 30 of his \$4,020, 23-ft. auxiliary sailing craft, to L. J. Neiger, president of Glasspar Co., with four plants that mold 20 fiber-glass-reinforced plastic hulls a day (BW—Dec. 13 '58, p54). Before the end of the year, boating enthusiasts all over the country are expected to spend well over \$2-bil-



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your particular operation. Finance it over a 5-year period with as little as 25% down on Stran-Steel's purchase plan. For full details clip the coupon or contact your nearest Stran-Steel dealer. He's listed in the Yellow Pages under *Steel Buildings or Buildings—Steel*.



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"... you don't have to be a mechanic any more to operate an outboard . . ."

BOATS starts on p. 48

lion for boats, engines, equipment, and service from these outfits and the hundreds of others in the industry.

• **Design for Women**—By now, the enthusiasts are no longer predominantly male. Outboards, which make up the largest part of the boating fleet, feature vivid hues with matching upholstery and hull colors—all to attract the female fans. In as many as nine out of ten cases, wives have the last word in selecting a boat, according to Joseph Kunar, president of Long Island's Port Washington Marine Sales & Service. Their wives' concern is first for a dry and comfortable ride, then for as much high style as they can afford.

The result is the increasing sale of 14-ft. to 16-ft. boats, which are better for general cruising, fishing, and water skiing with a load of children aboard than the smaller fishing-type outboards that gave boating its initial postwar surge. Many families that already own boats are trading up to 17-ft., 19-ft., and even 22-ft. cruisers with a marine toilet and bunks, according to Howard Larson, director of merchandising for Outboard Marine Corp., maker of Evinrude and Johnson motors.

• **Bigger Putt-Putts**—Outboard motors have grown to the point where every maker offers at least a 50-hp. model, and Mercury offers a 188-lb., 70-hp. Mark 78A. The smallest on the market, by contrast, is a 2-hp., 28-lb., West Bend. There probably isn't much of a market for an outboard bigger than today's biggest, which costs around \$1,000. It doesn't cost much more to double up with engines of lower horsepower. That gives much more reliability, according to Outboard Marine.

Convenience is the big reason for the tremendous climb of outboard motor sales. With electric starting, detachable gas tanks, wheel steering, and quiet operation, even women can operate the boats with ease. "You don't have to be a mechanic any more" is the way one manufacturer puts it.

• **Push to Sailboats**—So far, the post-war boating boom has benefited outboards more than sailboats, which are relatively expensive. Besides, the uninitiated think it requires some mystical sort of knowledge to make them go. However, at least one manufacturer, George D. O'Day Associates, Inc., (which has recently bought several plastics companies) is hoping to change all this. By simplifying the rig to make the boat easy and safe to handle, O'Day hopes to boost sales from around 600



# Announcing the unification of

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# Society NATIONAL BANK

## OF CLEVELAND



AS another important step designed to provide greater service for Society customers and the growing community we serve, the Board of Trustees of Society for Savings and the Board of Directors of Society National Bank have voted to unite these banks, effective December 31, 1958.

Society National Bank of Cleveland, with total resources of \$391,911,460, thus becomes the 6th largest bank in Ohio and 78th largest among the more than 13,400 commercial banks in the country.

We welcome the opportunity to serve you. Let us put our thorough knowledge of the Cleveland area and complete banking facilities to work for you.

*Mervin B. France*

PRESIDENT

### STATEMENT OF CONDITION

December 31, 1958

#### RESOURCES

Cash on Hand and Due from Banks . . .	\$ 34,861,587.72
United States Government Obligations . . . . .	95,797,588.56
Other Bonds and Securities . . . . .	48,888,587.45
Loans and Discounts . . . . .	204,871,260.90
Banking Premises . . . . .	5,108,292.40
Other Real Estate Owned . . . . .	8,866.04
Interest Accrued and Other Assets . . . . .	2,375,277.83
<b>Total . . . . .</b>	<b>\$391,911,460.90</b>

#### LIABILITIES

Capital Stock . . . . .	\$ 12,000,000.00
Surplus . . . . .	18,000,000.00
Undivided Profits . . . . .	1,326,181.67
Reserve for Taxes and Expenses . . . . .	1,102,856.97
Deferred Credits and Other Liabilities . . . . .	6,565,421.22
Deposits . . . . .	352,917,001.04
<b>Total . . . . .</b>	<b>\$391,911,460.90</b>

United States Government Obligations carried at \$10,858,963.35 are pledged to secure Public Deposits as required or permitted by law.

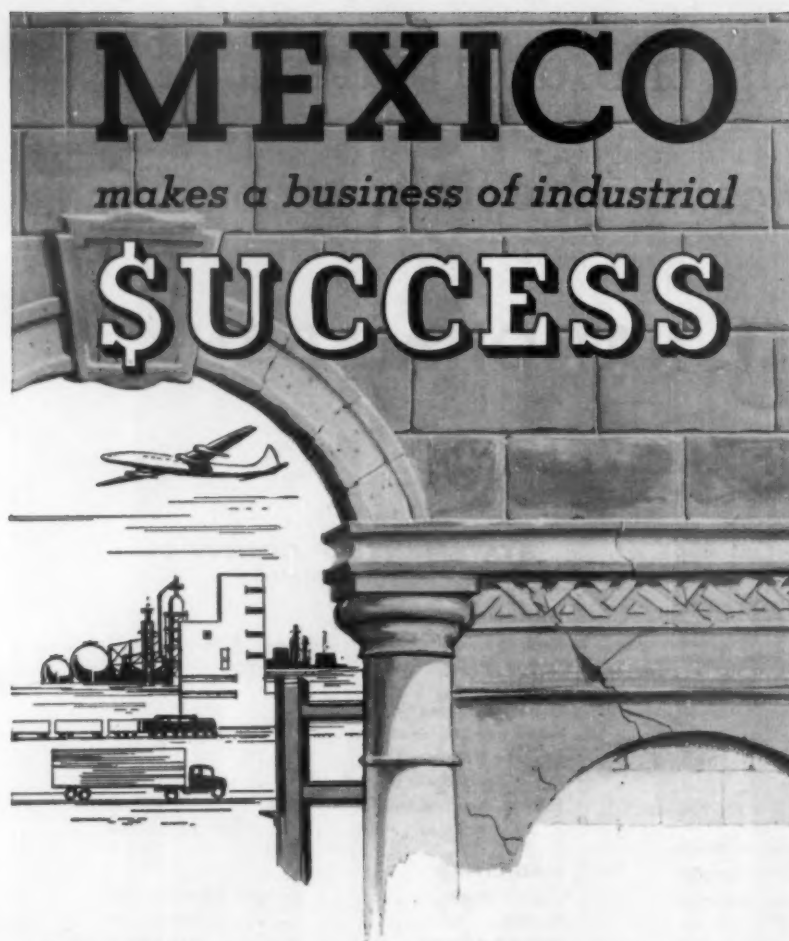
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Chairman of the Board



For example, in the last 5 years, steel production has doubled. Chemical manufacture, non-existent 10 years ago, now represents a \$240 million investment. In just 3 years, sulphur production has increased more than 10 times, sulphuric acid production has increased 125% and production of caustic soda, 183%. In the same period, output of railroad boxcars has risen from 16 to 1517 units.

These and other signposts of dynamic growth have set the stage for plans to spend \$80 million for new highways in 1959—plus ambitious blueprints to improve railway, air and port facilities.

Mexico's remarkable industrial progress supports one of Latin America's most stable economies. It has been a major factor in producing an annual increase of more than 3% in per capita income between 1954 and 1957 despite a 3% annual rate of population increase—one of the world's highest.

Compañía Impulsora de Empresas Eléctricas, an investor-owned utility group, is anticipating the growing needs of its customers—expected to increase from 375,000 at the present to around 570,000 in '65—with a \$40 million expansion program.

FOR YOUR COPY of an information-packed booklet on the opportunities for investment in Mexico, write General Manager, Compañía Impulsora, or Area Development Section, American & Foreign Power Company Inc., 100 Church St., New York 7.



**Compañía Impulsora de Empresas Eléctricas, S.A.**

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to nearer 2,000 sailboats. O'Day also hopes to attract more enthusiasts to sailing by promoting community and school sailing fleets.

There are also two new low-cost imports, the French-built Corsaire and the English-built Silhouetter Mark II, which will make available an 18-ft. cruising sailboat for under \$2,000.

• **At Home Afloat**—For small boats, fiber-glass reinforced plastic is becoming more and more the favorite material. Some 34% of the boats on display are made of this material. But vying with the fiber-glass boats in popularity, especially amongst the dyed-in-the-wool boatmen looking for a saltier boat, are the wooden-hulled lapstraked designs. One reason for their popularity is the belief that their type of hull gives a more comfortable ride in offshore waves.

In the larger boats, auto styling has been to some extent replaced by a more architectural approach. Richardson, for example, stresses livability in its models. These boats, ranging in size from 31 ft. in the cruiser type, have large picture windows, convertible sofas, showers, and cooking facilities similar to those in any modern home. Optional equipment includes electric stoves with rotisseries, deep freezers, and air conditioning.

• **Steering Them Right**—Helping the uninitiated to choose their first boat is one of the industry's most perplexing problems. To do it, manufacturers produce a flood of literature. Boat shows are awash with pamphlets and brochures.



## TV Aid for Builders

Closed-circuit television provides English structural experts an easy look at what is happening 90 ft. underground. The engineers are using the hook-up to inspect the foundations of a 26-story building going up on the Thames near London. Being built for Royal Dutch Shell Group, it will be London's tallest.



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sive atmospheres, the brightness and freedom-from-pitting of Allegheny Stainless are recorded history; yet different patterns, textures and colors make news each day.

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Include Allegheny Stainless in your design-thinking now. Learn how you can get the quality of stainless steel windows for much less than you think. For additional facts, and manufacturers' names, write to *Allegheny Ludlum Steel Corporation, Oliver Bldg., Pittsburgh 22, Pa. Dept. W-13.*

WSW 7296



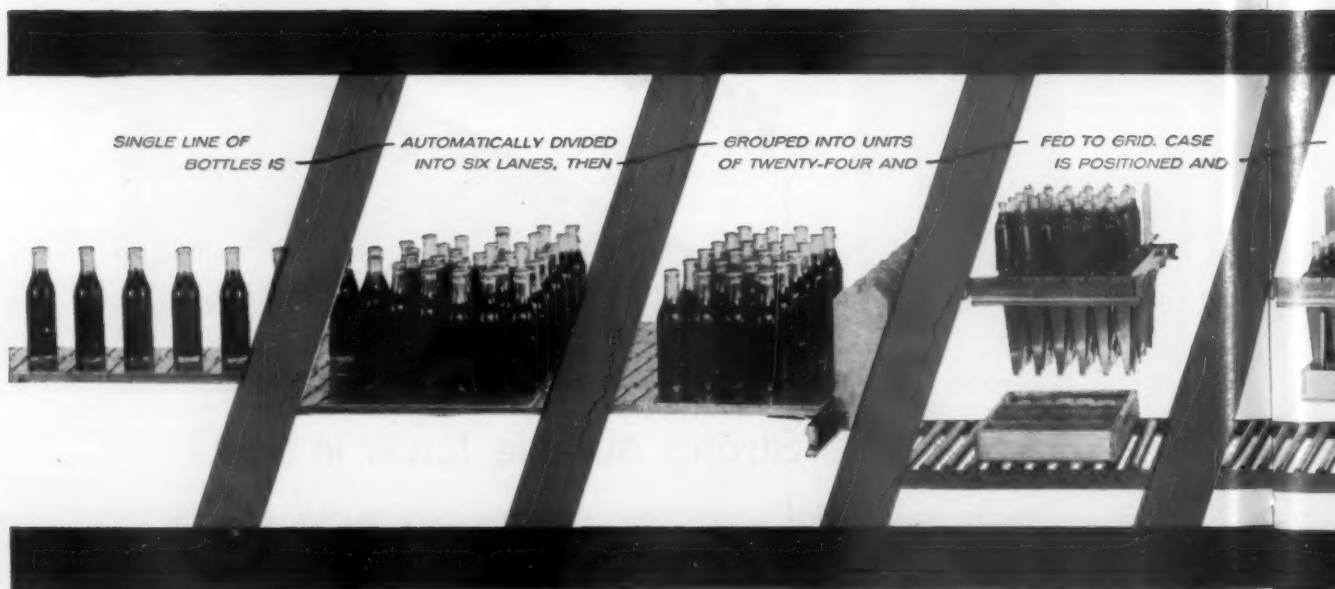
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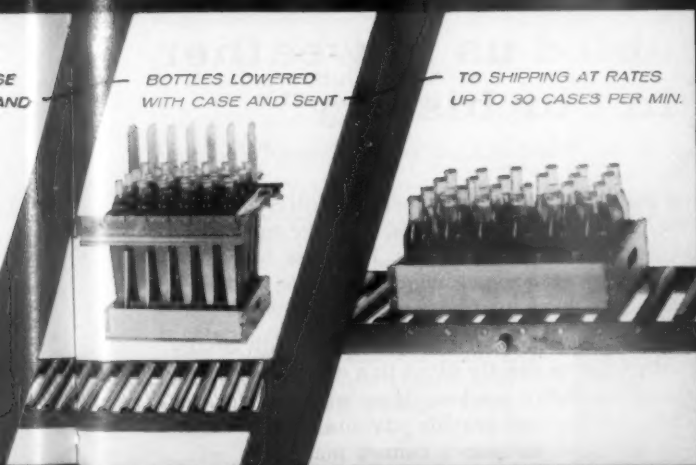
SINGLE LINE OF  
BOTTLES IS

AUTOMATICALLY DIVIDED  
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OF TWENTY-FOUR AND

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This new Standard-Knapp 860 Bottle Packer is one of many ingenious machines developed by Emhart to minimize the production expense of packaging products for home and industrial use. Emhart also makes equally efficient equipment for **metal forming and stamping, glass container manufacturing, plastics sheet forming, working aloft – indoors and outdoors, noise suppression, and converting sea water into fresh.**

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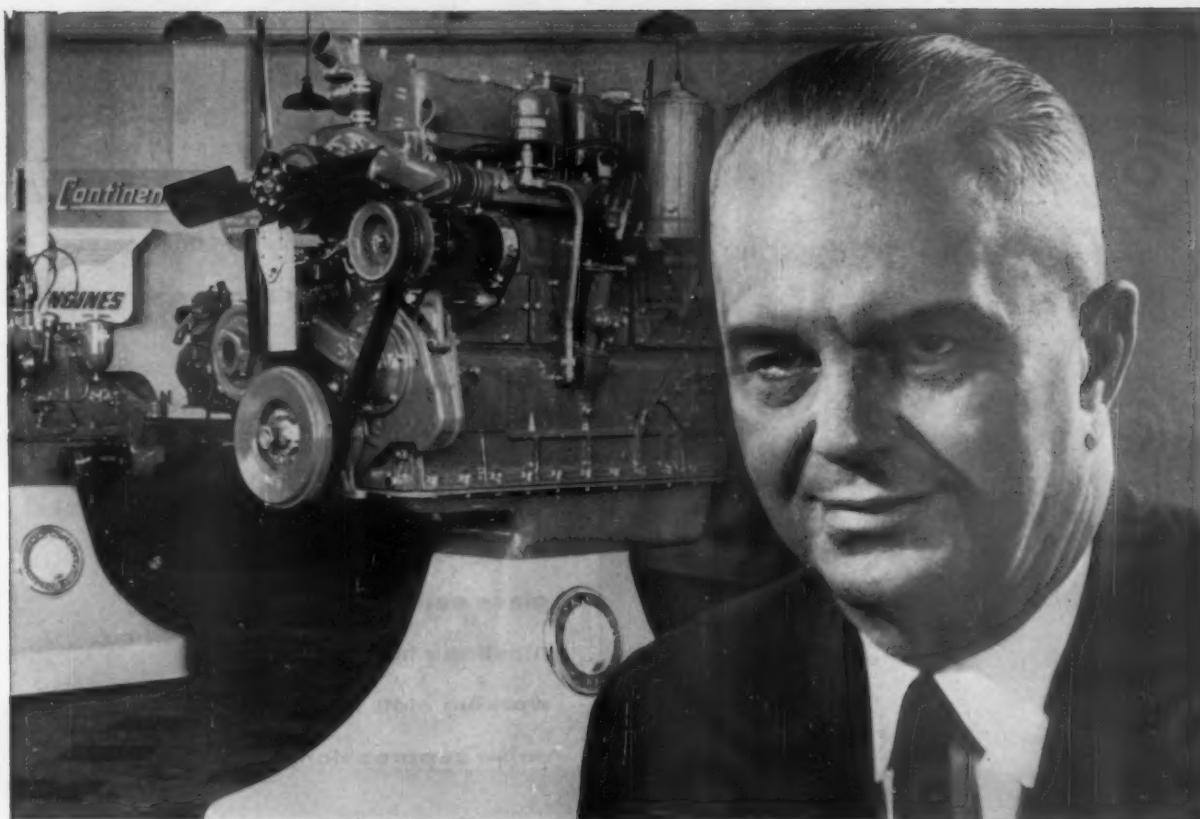
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*says, C. J. Reese, President, Continental Motors Corporation*

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## COMPANIES

# Steelmaker Starts to Cash In

**Jones & Laughlin sees payoff at last this year on long spending to rebuild plant and product mix—and its move into stainless.**

During 1958, steel's worst year in the last 20, prices of steel industry stocks rose spectacularly. There was nothing selective about it. They all went up.

Some of that showing, of course, was due to momentum of the entire stock market. Quite considerably, though, that performance recognized this fundamental change:

Today's steel industry can make money even off low-volume business.

With a boomy first half coming up, steel's new profitability will be particularly marked. And among the most highly visible profit-producers should be the 106-year-old Jones & Laughlin Steel Corp., now under the guidance of Avery C. Adams (cover and right) as chairman and president.

That will be quite a turnaround. For some time, J&L—both in fat years and lean—has produced smaller profits than you'd expect from the industry's fourth-largest producer.

### I. All New but the Name

Less than a decade ago, even J&L people would tell you that "if you want to see how steel used to be made, visit J&L." Yet some months ago, its operating people melted a 108-ton heat of oxygen-blown steel at the phenomenal rate of 100 tons per hour. That's remarkable, and here's why:

It took J&L hardly more than a year to double the tonnage of a unit that, when it was new, cost less than 40% as much as a new open-hearth furnace and produced steel probably twice as fast.

The impact on operating costs of such an achievement, naturally, is tremendous. But that's only the most spectacular example of what J&L has been up to. Similar improvements in efficiency have been taking place all over the property.

• **Coming From Behind**—That's true, of course, all over the steel industry. U.S. Steel's pioneering of the all-basic brick open-hearth roof (BW—Oct. 25 '58, p63), for example, will let U.S. Steel live with J&L's oxygen converter.

But while the whole industry has been improving, J&L has had farther to go than most.

For at the end of World War II, J&L was cursed with some of the



**NEW J&L TOP MAN**, Avery Adams (left), with Vice-Pres. (Production) A. T. Lawson, looks over Aliquippa hot sheet mill—part of rebuilding that has helped turn J&L around. With its plant and product mix in shape, Adams' job now is to sell what it can make.



## Lower Costs in this Open Pit Coal Mine Mean Better Return on Investment

Peabody Coal Company's new River King Mine near Freeburg, Illinois, is modern in every way—from its huge 70 cu. yd. stripping shovel, the world's largest, to the preparation plant and shipping facilities. This progressive company is using 10 big "Euc" Coal Haulers to transport coal from the pit to plant—a distance of about four miles.

Powered by 335 h. p. diesel engines, these Euclids haul 47 ton loads at speeds up to 34 mph over well maintained private haul roads. They average 16 trips a day from shovel to plant and return. Big capacity, fast travel speed and high job availability result in more tons moved per shift. That means lower hauling costs and savings that bring a better return on investment.

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oldest, least efficient plant in the industry. In the last dozen years, it has spent on plant alone not quite three times what its total assets amounted to at the start of 1947.

• **Rebuilding Spree**—Especially in the last nine years, J&L has been spending like mad simply to rebuild. In 1950, it took swift advantage not only of the newly available accelerated amortization, but also of Pittsburgh's brand new urban redevelopment law. These two breaks provided both the credit and the space required to rebuild its Pittsburgh works.

Since then, J&L has completely rebuilt its Cleveland works and has substantially rebuilt its Aliquippa works. The burden of this reconstruction was so great that J&L was unable to build the wholly new mill it yearned to erect in Texas, at Houston.

## II. Everything but Profit

You'd have thought all that investment would have started to pay off long since for J&L. But the earnings record shows that it didn't.

In the early postwar years, when reconstruction had only started, J&L ordinarily was more profitable than U. S. Steel. Its earnings were at or close to the industry average. But since 1951, it has run sharply behind both.

Perhaps even more striking is this picture:

J&L is the largest of five middle-sized producers. But from 1950 through the first three quarters of 1958, J&L never was higher than fourth among these five in net earnings as a percent of sales. In seven of those years, it was last.

Actually, in only two of those years did it show the highest sales in the group, even though it always was 1-million to 2-million tons ahead of the smallest company among them.

• **Understated**—There's one point, obscure but vital, which keeps that record from looking downright bad. That's depreciation.

Since 1950, J&L's charge-offs per dollar of sales have been the highest among the eight largest producers. They've averaged one-third above the average for the other seven largest companies. They have been more than double the average depreciation rate of a smaller competitor which has been among the most profitable steel companies of all.

Hence, at least relatively, J&L's earnings have been understated for years. Nor is any particular change in prospect. For, as Chmn. Adams predicted: "Our depreciation will keep on rising, while the rest of the industry falls off."

Sure enough, during the first three quarters of 1958—a period when its average earnings on sales were less than



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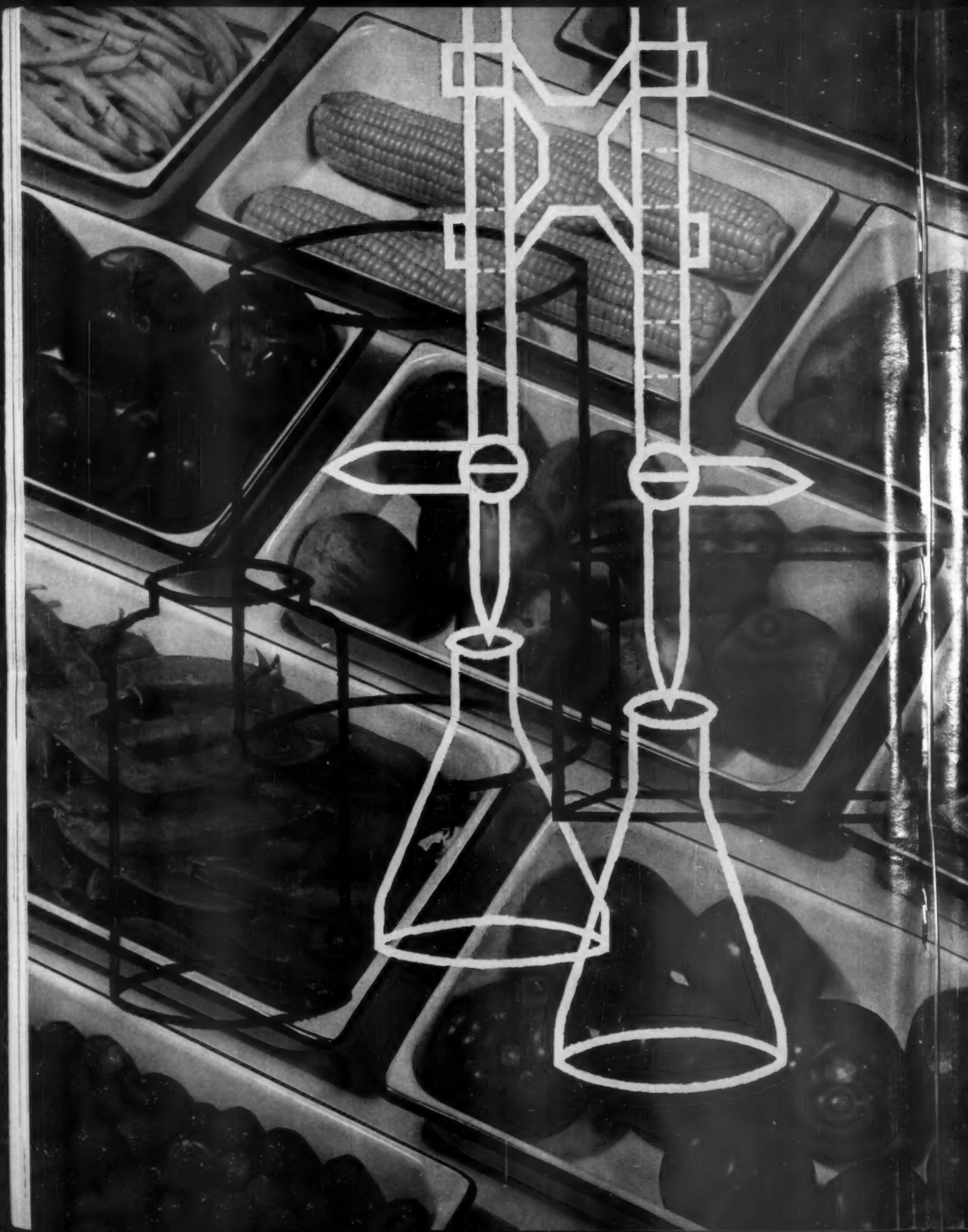


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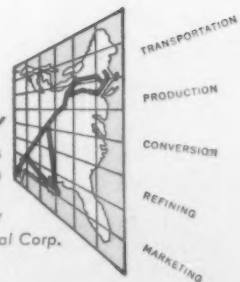
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half the average of the other seven largest producers—J&L charged off 10% more depreciation than in 1957. Almost unanimously, its principal competitors charged off less.

• **Payoff**—This year, J&L's depreciation will continue to climb. But so will its operating rate. As a result, the company is projecting earnings which signal the first real payoff on its \$780-million spending program. After a dozen years, you might say, J&L is about finished trading earnings for modernization.

### III. Volume Isn't Enough

In the steel business, fixed costs are so heavy that a smart boost in volume will do wonders for your income statement. Conversely, a sagging operating rate can smear you in no time. That sickening volatility has been eased quite a bit by the industry's heavy post-war investment in efficiency; the 1958 climb in steel stock prices reflects that. Yet it remains a characteristic of any industry that requires a dollar of investment to generate a dollar of sales.

For that reason, if you're a steel-maker looking for superior earnings, you must look beyond volume. For the steel business generally, the best answer lies in a preferred product mix.

• **Product Pyramid**—So it was that while J&L rebuilt its ancient plant and added capacity, it rebuilt its product mix about as drastically as its shops.

One way to accomplish this is to concentrate on products that command higher-than-average prices per ton.

For example, from a furnace shop, a breakdown mill, and a hot sheet mill, you can produce hot-rolled sheets that command \$102 per ton. By adding a cold mill, annealing capacity, and some auxiliaries, you can sell cold-rolled sheets for \$125.50 per ton. Adding a galvanizing line opens new markets for a product that brings \$137.50 per ton. If you tack on an electrolytic tinning line and some more auxiliaries, you can sell tinplate for, say, \$180 per ton.

• **Revenue Boost**—And if you do all these things, you've not only upgraded your revenue and profit potential, you've also accomplished a considerable diversification to keep the steelmaking department loaded through broad market swings.

In 1950, J&L's revenue per product ton was \$127—\$3 below the industry average. In 1957, its revenue was \$196—\$2 ahead of the industry. For the first nine months of 1958, J&L's revenue per ton held steady, while the industry's sagged. For the future, J&L's revenue per ton can't escape growing far faster than the industry's, for only this year will J&L start to get significant tonnage

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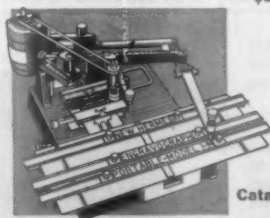
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from its heavy investment in stainless steel.

• **Upgraded Product Mix**—So over the years, J&L has reshuffled—and upgraded—its product mix no end. It doubled its warehouses, whose base prices run up to 40% higher than mill prices. It re-entered the galvanized sheet market. It makes more tinplate, fewer bars. It raised its capacity to make seamless oil country tubular goods, which average perhaps \$210 per ton. And it has added specialties and fittings for its oil country goods line, which, Adams believes, makes it the broadest line available.

Its latest new product is a steel designed particularly for good nuclear properties. Routinely, through the years, it has added new products. Several kinds of specially coated sheets, plastic-line pipe, several new types of wire rope are examples.

The object: sales that not only build the volume to keep the steelmaking plant loaded, but that offer the finishing plant premium-priced tonnage, as well.

Among the specialties, Adams agrees readily, the promise thus far remains better than the performance. Even so, J&L's captive tonnage—the steel it makes and then turns into its own specialties and other end-products—has climbed steadily for a decade, and will go still higher.

### IV. The Big Move

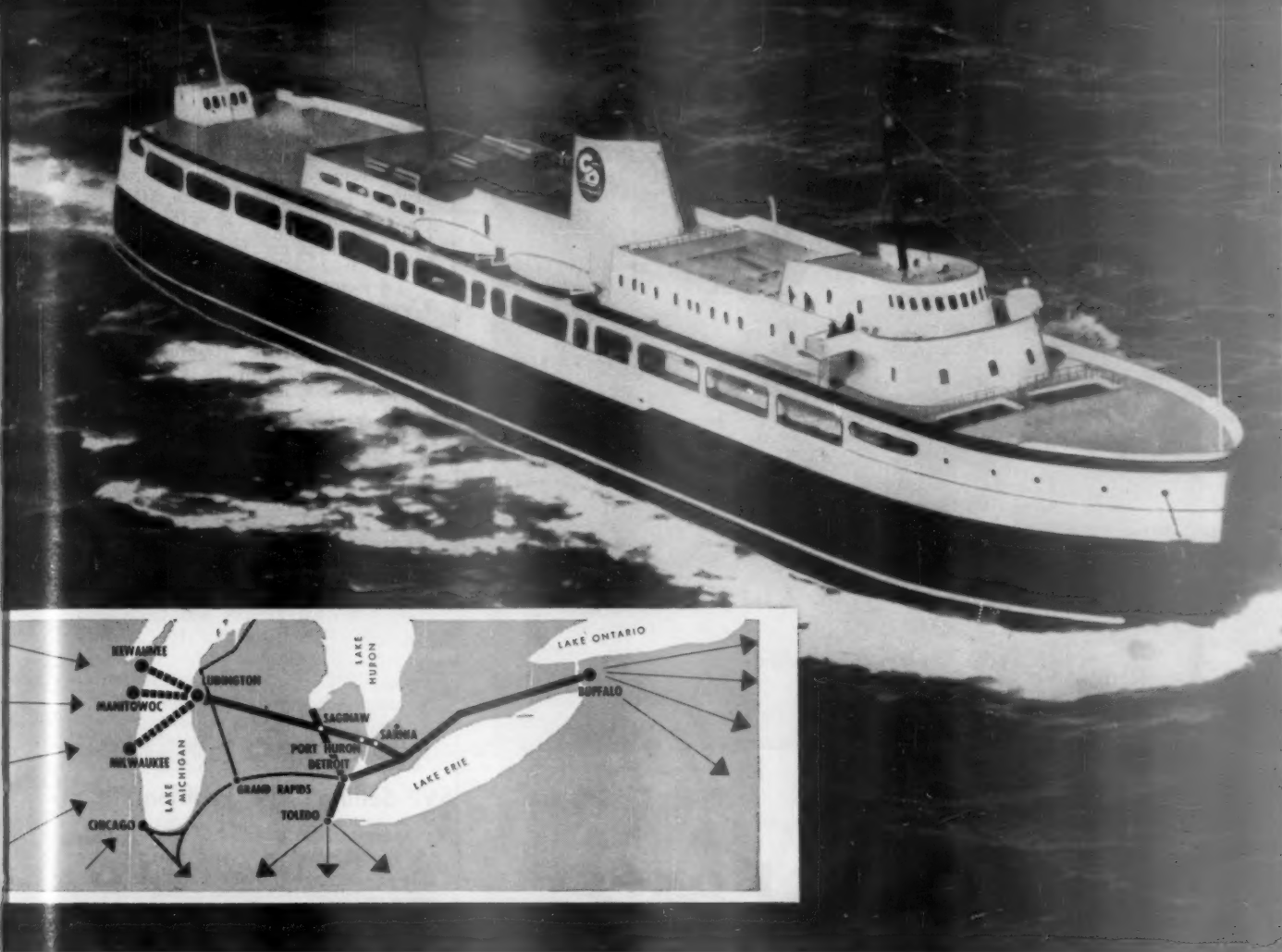
Most of J&L's physical rebuilding, and considerable upgrading of its product mix, was planned or carried out before Adams joined the company as president in October, 1956. Broadly, they were the work of Ben Moreell, a professional naval officer who became chairman and president early in 1947, and who was succeeded as chairman by Adams last fall.

Moreell, who was no part of a steelman when he took over at J&L, rebuilt the property not quite so fast but almost as thoroughly as his Seabees remade islands all over the Pacific during the war. He wound up as a steelmaker of genuine stature and left behind a property equally as imposing.

• **Strategic**—Nevertheless, it took Adams fewer than 90 days to start what may prove to be the most strategic single move in making J&L a real profit producer. That was the purchase of Rotary Electric Steel Co., of Detroit, a small but well-established stainless steel producer.

Before that move began to be digested, Adams came back with still another strategic acquisition. This time, it was the Cold Metal Products Co., of Youngstown, a producer of premium quality cold-finished strip.

Jointly, these two properties—which cost about \$75-million—now function



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When business is picking up and inventories are going down, it becomes very important to keep close tab on incoming materials. There's a paper mill in Northern Pennsylvania where this is a real problem because much of its woodpulp comes all the way from Oregon. The Traffic Manager always routes these shipments by Chesapeake and Ohio, for two reasons:

A glance at the map will show you that the most direct route from the Pacific Northwest to most points in the Northeast is via C&O's Lake Michigan Trainferry. C&O Trainferries provide dependable "short cut" service the year round.

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CLIC (Car Location Information Center). CLIC speeds on the message by teletype to the C&O Traffic Office concerned—in this case Philadelphia, and the information is quickly available for the Traffic Manager of the paper mill. Before the shipment is half way across Lake Michigan, the mill knows when to expect its arrival and can plan its production schedules accordingly. On this particular shipment, the same information is teletyped to C&O's traffic office in Portland, Oregon for immediate relay to the shipper.

Chesapeake and Ohio's unique system-wide, all-teletype car reporting service is proving helpful to many shippers in many different ways. Is your Traffic Department making full use of it?



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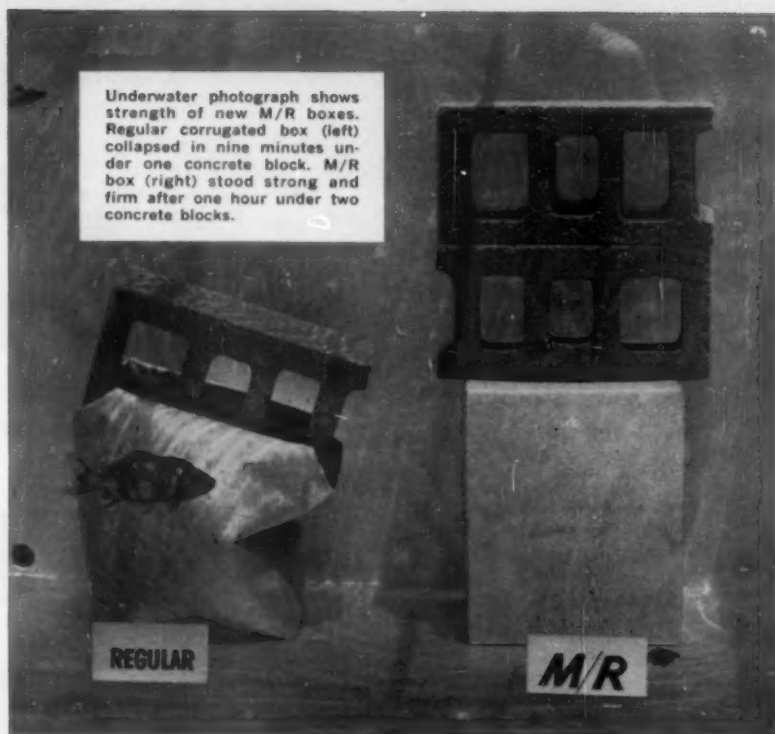
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Important news about Hinde & Dauch's new M/R (moisture resistant) corrugated boxes: Hydrocooler tests show M/R boxes shed water; stay strong and durable for packing and shipping all kinds of wet products. Moreover, M/R boxes stack high and straight. They save packing and handling time, provide remarkable product protection. Initial tests indicate shipping damage to peaches reduced 50%. And the smooth, clean surfaces of new M/R boxes can be colorfully printed with your brand message. H & D Package Engineers are ready to design an M/R corrugated box for your product. Write, wire or phone for complete information today!

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as J&L's Stainless & Strip Div. Here's what they mean:

- Potential additional sales of \$150-million per year.

- Rapid entry into two wholly new markets. One of them, stainless, is one of steel's finest growth products.

- Significant additional captive tonnage for J&L's mills.

- Economical rounding out of Rotary's limited finishing capacity by using equipment at J&L's other plants.

- An executive vice-president for J&L—C. M. Beeghly of Cold Metal Products.

- Additional top-level executive muscle in M. K. Schnurr, president of the Stainless & Strip Div., formerly president of Rotary.

- **Earnings Builder**—Adding products that sell for an average of \$1,200 per ton (stainless) and \$325 per ton (premium grade strip) not only will boost J&L's revenue per ton, and hence its profit potential; it will add customers J&L couldn't sell before. It will contribute promptly to J&L's earnings. And if J&L operates this year above the rate Adams predicts, about 80%, the new division could put J&L into the billion-dollar club in 1959.

### V. Selling's the Problem

Avery Adams has been selling steel for almost 40 years. And that's probably the most important thing he could bring to J&L.

For J&L simply had not been an aggressively sales-minded company.

With that acute sales consciousness, Adams combined a thorough knowledge of the industry. He has been an officer or executive of four of the eight largest producers.

- **Goal**—To be completely successful, Adams would have to make J&L the best earnings producer in the industry. With U.S. Steel in the position it is (BW—May 3'58,p24), that will be difficult. Still, at J&L, it's not considered impossible. Here's how they figure:

- U.S. Steel, with a \$25-million preferred dividend requirement and almost 54-million common shares outstanding, has 41.9-million tons of capacity.

- J&L, with a \$1.5-million preferred dividend requirement and \$7.8-million common shares outstanding, has 8-million tons.

- U.S. Steel's revenue per ton will be lower than J&L's, simply because its product mix must be less selective.

- Hence, if J&L can keep its plants as busy as U.S. Steel's, and if it can keep its costs under control, it figures to have more dollars available per common share than U.S. Steel.

That's the goal at J&L. The problem, with the physical plant in shape, will be to sell what it can make. **END**



## A Winter vacation he'll never forget

This businessman knows that downtime is bad business when it must be paid for with lost revenue and expensive repairs. A boiler explosion can be very costly — yet even a simple accident involving a pressure vessel, turbine, compressor or electrical equipment can also be the direct cause of downtime and serious losses. Because, unless such power units are covered by specialized Engineering Insurance, there may be no compensation!

For more than 90 years, The Hartford Steam Boiler Inspection and Insurance Company has been providing for the Engineering Insurance needs of thousands of firms. How? By seeing that they receive the services of *specialists* at every step. H.S.B. Special Agents, skilled in this highly technical line of insurance, help agents and brokers meet the en-

gineering insurance needs of their policyholders; H.S.B. Field Inspectors, skilled in accident prevention and backed up by a large engineering staff, search constantly for signs of danger in power equipment insured by this Company. Their recommendations help prevent accidents and prolong the useful life of boilers and machinery.

Should an accident occur in spite of these many precautions, this nation-wide organization is ready to move into high gear to put specialists on the scene promptly to assist in rehabilitation and promote equitable claim settlement.

Ask your agent or broker to arrange for a complete check-up by Hartford Steam Boiler of *all* your power equipment insurance coverage. You will be served by the world's largest company *specializing* in Engineering Insurance.

**THE HARTFORD STEAM BOILER  
INSPECTION  
AND INSURANCE COMPANY**



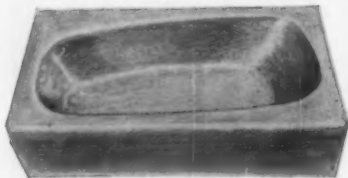
**to keep power alive**

Remember, *INSPECTION* is our middle name

Hartford 2, Connecticut

## MARKETING

# Contour Look Comes to Bathtubs



NEW TUB differs from the previous model in the slant of its bathing area. Inner sides are less sloping, and wide rim at one end gives room for parent or elderly person to sit.



TOP BRASS of division, including Pres. Joseph J. Decker, manned phones for three days to take orders from around country.

SALES MANAGER Frank McGrath answers one of 824 calls received in New York from salesmen in field during marathon.

The beaming faces on these pages belong to executives of American Radiator & Standard Sanitary Corp.'s Plumbing & Heating Div., all of them exultant over the results of a three-day telephone marathon that climaxed introduction of the latest in bathtubs—the Contour.

The Contour may well become the new standard in U.S. bathrooms. At least, American-Standard hopes so. "It's the first important change since bathtubs lost their legs," says Daniel J. Quinn, sales vice-president.

To the rest of the world, the shiny enameled bathtub has long been a symbol of U.S. culture. And for years, 50% of the bathtubs sold in the nation have been American-Standard's Master Pembroke design, which set the style for the industry in the past just as the company hopes the Contour will do in the future. Robert W. Williams, manager of marketing, says the Pembroke has been a familiar fixture in American homes for so long "it would have voted last November."

• **Reason for Change**—Why did American-Standard decide to drop an admittedly profitable line that was a sales leader? The idea, according to Robert Lear, newly promoted to head the corporation's marketing services, was to produce something new to "reaffirm

our long-term leadership." In 1957, when the company began thinking about the new tub, sales of enameled cast iron products (mainly tubs) were down 32% from 1955. Industry sales have since recovered, but American-Standard still wanted to stimulate interest—not only in bathtubs, but also in redoing the entire bathroom.

American-Standard started phasing the Pembroke out of production last year. The company's 1,000 independent distributors were alerted about the change last Oct. 1, and by this week, the new Contour line was drawing curious crowds at the builders' show in Chicago. By Feb. 15, the company will have shipped enough of the new tubs to distributors to give them a balanced inventory of models and colors.

• **Attractions**—American-Standard insists the new design is much more than just a gimmick. Because the rim is wider at one end than at the other, it claims for one thing, a parent can sit at the wide end and bathe a child in the tub more easily.

The company is spending \$500,000 to promote the Contour line. From the enthusiasm shown in the telephone marathon, it is sure the investment will be returned. Conservatively, it estimates a sales increase of 15%.







CONGRATULATIONS from Daniel J. Quinn, American-Standard's sales V-P, go to distributor who has ordered new tubs.



SMILE comes to face of Sid Kelleran, soon to move to company's Detroit sales office, on news that district has reached 100% of quota. Nationwide average was 150%. As soon as a sale was made, call was placed to New York office.



RESULTS were tabulated on arrival in New York. Division executives chatted with each distributor who ordered the new Contour.

**"They're coming  
out this side!"**



## **2-way pocket radio is here!**



**"Handie-Talkie"**  
Pocket  
Transmitter  
and  
Microphone

**"Handie-Talkie"**  
Pocket  
Receiver

The man on foot is no longer alone! Here is 2-way radio so small, so light, that *every* policeman can *easily* carry it on his belt or in his pocket. He's in constant contact with headquarters or nearby squad cars—giving new efficiency to the entire force.

### **AVAILABLE NOW FOR BUSINESS AND INDUSTRY**

With this new 2-way pocket radio your key executives, servicemen, salesmen . . . are all free to move about the city, in and away from their cars, yet are instantly available. Here is communications efficiency never before possible—*personal* radio contact whenever needed. And the new 2-way pocket

radio is especially valuable in extending the advantages of existing mobile 2-way radio systems—the basic radio communications "tool".

### **HERE'S HOW MOBILE 2-WAY RADIO CUTS COSTS—BUILDS PROFITS**

Radio contact with vehicles gives you *true* operational control. You can move drivers *directly* from job to job—saving time and travel—increasing the productivity of every vehicle, every day. Emergencies are handled instantly, overtime is reduced, phoning time and cost eliminated. Learn how 2-way radio can cut your costs, increase your profits—write Motorola today.



## **MOTOROLA 2-WAY RADIO**

Motorola Communications & Electronics, Inc., 4501 Augusta Blvd., Chicago 51, Ill. • A Subsidiary of Motorola Inc.

M, Motorola and "Handie-Talkie" are registered trademarks of Motorola, Inc.

# Placing Furniture Marts

A far-flung industry weighs advantages of regional distribution vs. central market—and is winding up with both.

The furniture industry is riding a seesaw between central and regional distribution. Its basic problem: How an industry, made up mostly of many small concerns, can best get a bulky, big-ticket item to the consumer.

This week, just after the major shows in Chicago, both ends of the seesaw appear, miraculously, to be rising, Chicago still dominates as the giant central market. But the explosive momentum comes from the hustling regional markets hundreds of miles away. Ideally, the industry is seeking a sensible balance. It wants the advantages of a central market. But it wants to move closer to its customers.

Household furniture wound up 1958 in pretty good shape. Manufacturers' shipments trailed 1957 by 9%, but a healthy pickup in the last months brought the total to \$1.9-billion, furniture's third-best year.

Attendance at the Chicago shows was the best in several winter markets; it topped last January by some 10%. Buying was not spectacular—but lately retailers have usually sampled widely at the markets, buying in depth later. There was more news in materials used than in style changes. Traditional and "softened" contemporary continued to battle it out, mixed with a strong Oriental flavor. Heavy, overstuffed "borax" was dead.

Low inventories, the expected economic upturn, the stepup in consumer furniture buying (estimated up 10% in December)—all made for general, if modest, satisfaction. Prices are headed higher, maybe 3% to 5%.

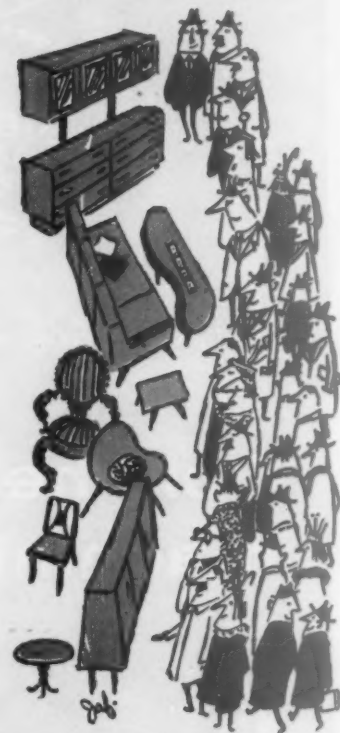
• **Regional Notes**—But by no means did all the news come out of Chicago. In the past couple of years, the regional markets, so-called, have blossomed:

• **High Point, N. C.**, this January opened a new \$1.5-million wing to its Exposition Building.

• **Dallas Homefurnishings Mart** this January had double the space, double the exhibitors, and double the buyers it had when it opened in July, 1957. (It includes in its figures those of the older Dallas Trade Mart, with which it cooperates.)

• **The Los Angeles Furniture Mart** last July put up a new \$7.5-million showplace.

• **The Atlanta Merchandise Mart**, which had 24 exhibitors and 1,400 buyers when it opened two years ago, had



400 exhibitors and over 7,000 buyers this January. It has a big new building in downtown Atlanta in the works—which is already committed to near capacity. A big Southeast Merchandise Mart 30 miles outside Atlanta is also in the cards (BW—May 3, '58, p. 55).

• **In New York**, Orkin Expositions Management, whose Armory Furniture Show for the past 10 years has augmented the 34-year-old New York Furniture Exchange, is exploring the possibility of taking over the Equitable Building as a permanent home furnishing exhibit.

• **Plus and Minus**—Except for High Point, which in April and October pulls the big-volume retailers, the regional markets draw mainly on the smaller regional retailers, who have neither time nor money to go to Chicago. To the extent that they broaden the market, they represent a clear plus.

Rising freight costs give decentralization a boost. The fastest-growing markets are those where furniture production is spurring—Texas, California, North Carolina. At least some of the thriving regional markets are in areas with better than average economic growth.

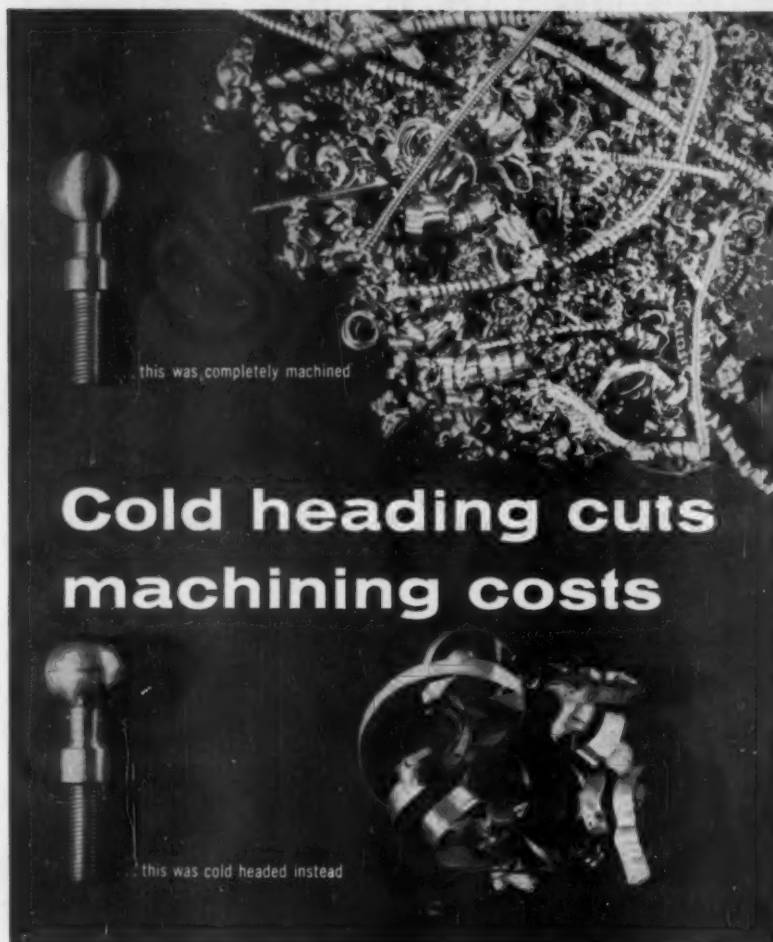
But decentralized markets have their minuses, too. When a regional market becomes important, both manufacturers and retailers may feel forced to attend it—an expense that eats into profits. And some of the growth has come at

## WHATEVER YOUR RADIO COMMUNICATIONS NEED...

Motorola can supply it... with experienced systems design and the finest, broadest range of equipment available. Motorola's complete "package"—systems engineering, financing, installation and maintenance—assures you of the finest communications system, designed to fit your needs.







- Buy cold headed parts . . .  
produced with less scrap,  
in less time than machining
- You get stronger items,  
in one piece, at big savings

Above you see an automotive part formerly machined, along with scrap turnings. Compare with the piece below—where metal has been forced to cold flow into shape in one of RB&W's cold heading machines. (That's the same equipment that produces RB&W bolts, thousands per hour, at rock bottom cost.)

It's obvious that cold headed parts save money. (Little or no scrap loss, faster production.) Not so apparent is the fact that the cold headed piece is actually *stronger*, too. The cold working does it. Also gives a better finish and oftentimes closer tolerances.

Cold headers used for fasteners can be adapted to almost any small parts now machined or forged as one

or more pieces. That's where an expert can help you. Avail yourself of the RB&W Fastener Man to analyze your requirements. People who have already done so are profiting from RB&W's vast cold heading facilities and ability to supply large volumes at substantial savings. Russell, Burdsall & Ward Bolt and Nut Company.



**Plants at:** Port Chester, N. Y.; Coraopolis, Pa.; Rock Falls, Ill.; Los Angeles, Calif. **Additional sales offices at:** Ardmore (Phila.), Pa.; Pittsburgh; Detroit; Chicago; Dallas; San Francisco. **Sales agents at:** Milwaukee; New Orleans; Denver; Fargo. **Distributors from coast to coast.**

**RB & W FASTENERS—STRONG POINT OF ANY ASSEMBLY**

the expense of older or smaller markets. Long term attendance at Chicago has been shrinking.

• **Still the Giant**—Even the most vocal local boosters do not suggest that Chicago will ever lose its dominance. Sheer size and completeness of its exhibits, plus its central location, forbid this. How effectively the regional markets lure the big buyers depends on their ability to give such buyers what they want. The West Coast is winning recognition for individuality of styling. High Point's asset is the number of manufacturers in the region turning out good products at reasonable prices. While important Southern and Western manufacturers exhibit at Chicago, too, big retailers often find it pays to go direct to the source for their buying. A reflection of this is that two big Southern producers—Thomasville Chair Co. and American of Martinsville—have just opened their own showrooms.

• **Trend to Showrooms**—In the small but important high-priced segment of the industry, another significant distribution shift appears to be in the making. The December issue of Interior Design magazine called attention to this trend: the growth of the permanent wholesale showroom.

Manufacturer and wholesale showrooms have been around for many years. But Interior Design turns up special strength in the wholesale operation in recent years. The reason: Many big retailers have thrown in the sponge on high-priced lines. With their heavy overhead, they prefer fast-moving, volume goods. The showroom is seeking to fill this gap by providing a place to bring high-priced goods and customers together.

The legitimate showroom performs a wholesale function. It sells to retailers or to decorators. It gets buying economies that the individual retailer cannot get. It offers attractive, central displays where decorators can show their clients a diversity of lines. And it enables small retailers to keep their high-income customers without the expense of carrying costly lines.

This development has raised some hue and cry from retailers, who fear the showrooms are bypassing or undercutting them. Some big retailers say they have not felt any impact of the trend—nor can they reverse it. But others are going into the showroom business themselves. One of the latest is Joseph Horne Co., of Pittsburgh, which last fall set up a subsidiary, Marforth Showrooms, selling to decorators and other retailers.

• **Coordination**—One more effort to get the consumer and the product together seems to be working out. New York's Design Center for Interiors (BW—Aug. 17 '57, p. 54), an exhibit that lets consumers see—but not buy—lines otherwise

**GRINNELL  
AUTOMATIC  
SPRINKLERS  
STOP FIRE  
QUICKLY...  
WHENEVER  
IT STARTS**



**WITHOUT  
SPRINKLER  
PROTECTION**

A mushrooming fire was well on its way toward destroying this unsprinklered, multiple tenancy building even before fire apparatus could be summoned. When smoke had cleared away, and damage was estimated, the fire went as a \$250,000 loss.



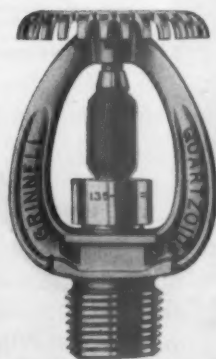
**WITH GRINNELL  
SPRINKLER  
PROTECTION**

An after-hour blaze in this multiple tenancy building, the R. H. Long Building, Framingham, Mass., was quickly detected and extinguished by a Grinnell Automatic Sprinkler System. All four concerns which occupy the building reported little or no fire damage.

Fire is always bad... for business! One sure way to control fire is to stop it at the start—with Grinnell Sprinklers. Their fast and effective operation is the result of years of research, design improvement, and careful manufacture.

Grinnell Systems, moreover, are regularly engineered and shop-fabricated for quick, expert installation — with minimum disruption to routine.

Grinnell Sprinklers make possible big insurance savings, too—with reductions in insurance premiums often between 50 and 90%. For full facts, write Grinnell Company, Inc., Providence 1, Rhode Island.



Grinnell Quartzoid® Bulb Sprinkler, most advanced design for speed and dependability.

**GRINNELL**  
FIRE PROTECTION

**LABOR and PARTS SAVINGS**

**TURN PROBLEMS INTO**

**PROFITS**

with the

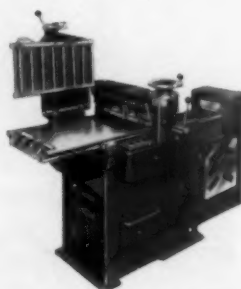
**Saginaw  
Screw**

"WE USE ONE COMPACT SAGINAW SCREW IN PLACE OF THREE COMPLEX AND COSTLY PARTS NEEDED BEFORE on our printing plate PlateShaver. The Saginaw Ball Bearing Screw has cut our manufacturing time and material costs considerably. And our product has more Sales Appeal because our PlateShaver now has considerably less mechanical parts and thus less potential mechanical trouble and maintenance," says Mr. Lee Hammond, President of Hammond Machinery Builders, Kalamazoo, Michigan.

The Saginaw Screw converts rotary motion into linear motion with over 90% efficiency. No wonder progressive manufacturers are saving so much time, power, weight, space and cost by simply switching from inefficient acme screws, costly chain drives or hydraulics to versatile Saginaw Screws.

They have been produced from 1½ inches long for delicate electronic controls to 39½ feet long for huge machinery.

Perhaps the Saginaw Screw can give your products that vital new Sales Appeal you're looking for right now. To discover how, simply write or telephone Saginaw Steering Gear Division, General Motors Corporation, Saginaw, Michigan—world's largest producers of b/b screws and splines.



The Hammond PlateShaver uses one Saginaw Screw to eliminate a gear speed reducer, automatic safety clutch, and chain drive mechanism. Results: lower manufacturing cost and sales price and more trouble-free operation.

Give your products  
NEW SALES APPEAL...  
switch to the

**Saginaw**

b/b bearing Screw

**WORLD'S MOST EFFICIENT ACTUATION DEVICE**

available only at showrooms, now has some 200 exhibitors, an average attendance of 15,000 a week.

One effort to get close to the consumer—especially to the some 80% of the market that buys no furniture at all in a given year—is flagging. The Home Furnishings Council, a committee of industry leaders, set out to get a \$1-million promotion program going. So far, it has pledged for \$375,000.

## MARKETING BRIEFS

Carrier Corp. has acquired a 20% interest in the Appliance Buyers Credit Corp., founded two years ago by Whirlpool Corp. to offer financing services to distributors and dealers handling RCA Whirlpool and RCA Victor products. The credit company will now make these services available to distributors and dealers of Carrier products.

Tire companies are reluctantly changing names of their products to conform with a new advertising guide worked out with the Federal Trade Commission last year (BW—Jun. 28 '58, p76). Goodyear is the latest to take this step, changing its second line from "deluxe super cushion" to "safety all-weather." Other makers are also making changes. The operation is costly, since the old name has to be filed off tire molds and the new name engraved. Firestone estimates the cost of its mold-changing alone at more than \$300,000.

An FTC ruling under the Robinson-Patman Act raises the question of when an oil company can aid one of its dealers. FTC says Sun Oil Co. was guilty of illegal price discrimination in granting a Jacksonville dealer a price cut to meet competition, without giving other dealers in the area the same cut. Sun Oil indicates it will appeal.

California may get a consumer counsel to advise the governor and report to the people on matters affecting consumer interests. Legislation has been introduced setting up the office, with authority to make investigations and studies. New York State has a similar office.

Gimbel Bros., New York department store chain, is opening a store at Roosevelt Field, Long Island shopping center, where its big rival, R. H. Macy, also has a branch. Some smaller stores reportedly have failed to do well at Roosevelt Field. The Gimbel branch is expected to draw increased traffic to help this situation. Gimbels also has a branch at nearby Valley Stream center, but, the store says, while some overlap exists, the two centers pull from different areas.







## growth

*"Consistent advertising exerts a tremendous influence on the growth of any company. While its primary job is to stimulate sales and build a sound reputation for both the company and its products, advertising in leading business magazines also creates a strong demand for its securities."*

*Henry T. Vance, Senior Partner of Vance, Sanders & Co.,  
and President of Boston Fund*

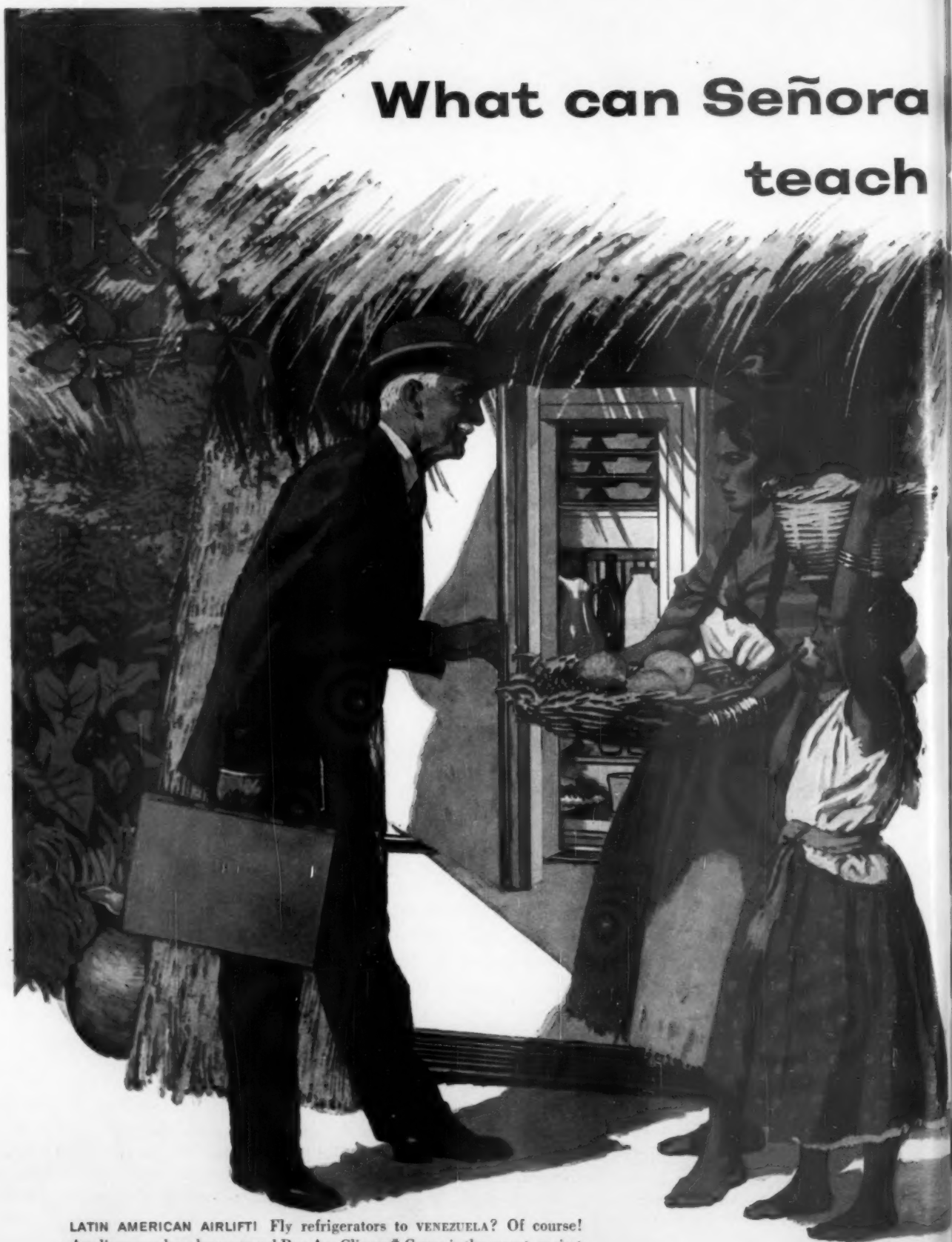
**GROWTH**—*Consistent* advertising is a direct growth factor that builds acceptance for your brand, product and services. It is also an indirect, yet positive, motivation for financial investment. By encouraging your management to invest in adequate advertising, you contribute

towards company growth. In today's leading industries, more than one million men-of-decision subscribe to McGraw-Hill publications. You can reach and influence these key men by *concentrating* your advertising in the McGraw-Hill magazines serving your major markets.

 **McGraw-Hill Publications** 

McGraw-Hill Publishing Company, Incorporated • 330 West 42nd Street, New York 36, N.Y.

# What can Señora Ca teach th



**LATIN AMERICAN AIRLIFT!** Fly refrigerators to VENEZUELA? Of course!  
Appliance makers have proved Pan Am Clipper® Cargo is the surest, easiest  
and—in terms of TOTAL cost—the *most economical* way to deliver the goods!

# a Cordova's refrigerator in the chairman of the board?

Overseas marketing problems vanish  
in air with the Pan Am Profit Lift!

The whole wide world is your market when you ship via Pan Am Clipper Cargo!

Air cargo holds the answer to so many problems of doing business abroad.

Air cargo can *cut* shipping costs. Example—you can airlift a refrigerator from Miami to Caracas for \$437<sup>5</sup>. And that's *total* cost. You pay no "hidden" crating, insurance or warehousing charges...whereas *total* cost by sea can be *10 times* the ocean freight rate!

Swift air cargo can eliminate expensive overseas warehousing, reduce inventory, smooth out produc-

tion flow, shorten the gap between manufacture and delivery, speed up payments.

Air cargo opens new markets. You get there "fustest with the mostest!"

And make note of this: Pan Am, *and only Pan Am*, offers you all the advantages of the Pan Am Profit Lift—the most comprehensive, convenient and cost-saving service of *any* overseas cargo carrier.

A fair trial will prove the case. All it takes is the Pan Am Profit Lift—and the right executive!

Contact your cargo agent, forwarder or Pan Am.

ALL THIS AND A "JET ASSIST" TOO!  
ONLY THE **PAN AM PROFIT LIFT** OFFERS THESE FIVE "EXCLUSIVES":

**FASTEST DELIVERY TO ALL THE WORLD.** No other airline can match Pan Am's number of *direct* flights to and from the 6 continents. Result: no unnecessary transshipments, no time-wasting layovers.

**WORLD'S FASTEST, SUREST RESERVATIONS.** You can check available space on *any* Pan Am flight from the U. S. in just 4 seconds, thanks to "PAT"—electronic Pan Am Teleregister. Reserved or unreserved, *all* Clipper Cargo is *expedited*.

**WORLD'S MOST EXPERIENCED AIR CARGO CARRIER.** Pan Am

handles over 90% more overseas cargo than any other airline. Experienced personnel keep track of your shipment every step of the way.

**WORLD'S MOST MODERN AIR FLEET.** Your goods travel first-class when they fly via Clipper Cargo. Up-to-the-minute equipment includes pressurized and temperature-controlled planes.

**"DOORSTEP" SERVICE FROM ANYWHERE IN THE U.S.** If your town has a highway, railroad or airport, you can ship overseas by Pan Am. Just call your cargo agent, forwarder or Pan Am.

AND NOW—MORE "LIFT," MORE SERVICE THAN EVER BEFORE, THANKS TO NEW JET CLIPPERS!

## PAN AM CLIPPER CARGO

\*Trade Mark, Reg., U. S. Pat. Off.

— FASTEST DELIVERY TO ALL THE WORLD —





*How a new Ameripol Rubber  
cushions costs, helps*

*"Carpetreds"  
step up  
quality*



The Buxbaum Company, Canton, Ohio, finds that new Ameripol 4700 helps hold the cost line while maintaining product quality. Ameripol 4700 is the new 50-part oil-extended rubber that cuts raw material costs nearly 10%.

Here's what The Buxbaum Company says about Ameripol 4700: (1) it lowers raw material costs; (2) it reduces the amount of whitener needed in compounding; (3) it improves flow during curing; and (4) it improves the sales appeal of "Carpetreds" by producing a better cushioning effect.

Research to provide better, lower cost rubber like new Ameripol 4700 is part of the Goodrich-Gulf program to make rubber processing easier and less costly. It includes packaging improvements and improved warehouse and plant facilities. These are all reasons Ameripol has become *the preferred rubber* . . . reasons you and your company profit when you buy from Goodrich-Gulf Chemicals, Inc., 3121 Euclid Avenue, Cleveland 15, Ohio.

*Ameripol 4700 samples and information  
are available. Write today.*



**Goodrich-Gulf Chemicals, Inc.**

# INTERNATIONAL OUTLOOK

BUSINESS WEEK

JAN. 24, 1959

A BUSINESS WEEK

SERVICE

State Dept. officials, like many businessmen, now are sizing up the Mikoyan visit (page 32). The tentative conclusions at State are somewhat surprising. They boil down to this:

- Moscow may possibly be ready to start talking seriously about a German settlement. Washington will do some high-level probing to find out.
- Soviet leaders are not so interested in boosting U.S.-Soviet trade as they are in making propaganda out of the issue.

State is convinced that Mikoyan came to the U.S. primarily to test U.S. intentions in the Berlin crisis. On Berlin, he didn't give any ground or get any. But the Deputy Premier left many unanswered questions about the Soviet threat to Berlin and about Soviet foreign policy in general. As a result, Secy. of State Dulles figures that formal talks on Germany may pay off.

So the U.S. soon will propose a meeting of the Big Four foreign ministers. There, the U.S. will try to take the diplomatic initiative. The conference would be held early next spring, before the May 27 deadline set by Moscow for the end of Soviet controls in Berlin.

U.S. officials who talked with Mikoyan think there's an outside chance that the Russians will really negotiate on Germany. These officials admit, though, that the evidence is mostly negative. It's based on the impression, conveyed by Mikoyan, that the Soviets don't want—and aren't expecting—a military showdown over Berlin. Then, there's the fact that neither the Soviets nor the East Germans have yet made the kind of preparations that preceded the Berlin Blockade of 1948. Together, these things suggest that Moscow regards Berlin as a lever for reopening the German issue, rather than an objective in itself.

There's still the question of why the Soviets might want to negotiate on Germany. The speculation runs this way: They have reached a turning point in East Germany, where they have to either pour substantial capital into the area or cut their commitments. With West Berlin an island of freedom and prosperity, a big investment in East Germany looks like a dubious proposition. Yet the West has shown that military threats won't get us out of Berlin. So the Soviets may want to see if they can make some kind of deal on German unification that won't weaken their position in the rest of Eastern Europe.

Some of Dulles' advisers, notably the specialists on Soviet affairs, take a dim view of this reasoning. These men ridicule the idea that Moscow may be ready to back up in Germany. The Russians believe, say these experts, that the balance of power is shifting rapidly in their favor. So Moscow would be less inclined than ever before to make concessions.

Dulles, however, apparently wants to find out if there's anything to the first view. He also feels that it is good tactics to propose a conference on Germany. At the least, this should draw the heat away from the Berlin crisis. What's more, it would prove that the U.S. is always ready to negotiate on East-West differences.

If there should be serious bargaining on Germany, Dulles would consider gradual reunification, with all-German free elections coming in the second stage rather than the first. However, he would insist that a unified Germany have the right to remain integrated with Western Europe.

# INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JAN. 24, 1959

On trade, Mikoyan got nowhere with top officials at the State and Commerce Depts. In fact, Mikoyan didn't seem to try very hard. He took the attitude that Moscow was making all the overtures for good trade relations, that it was time for the U. S. to make some concessions.

Mikoyan asked Under Secy. of State Dillon for:

- Long-term credits to finance Soviet purchases in the U. S. Such credits are banned (under the Johnson Act) until Russia settles its Lend-Lease accounts with the U. S.
- The same tariff treatment we accord to friendly nations. (The most-favored-nation clause was revoked in the case of Russia by the 1951 Trade Agreements Act.)
- Removal of a Congressional ban (1952) on seven types of Russian fur exports.

Dillon told Mikoyan that trade could easily be expanded without any changes in existing U. S. legislation. When Mikoyan complained about the Johnson Act, both Dillon and Commerce Secy. Strauss said this: Russia can buy all the non-strategic goods it wants in the U. S. simply by paying in gold or by offering a new line of export products that would earn dollar exchange.

All Russia offers now in the U. S., said Dillon, are materials that either are produced here and are in oversupply or are imported from friendly nations. In answer to this, Mikoyan said that he had no interest in disrupting domestic markets or U. S. trade with its allies. He only wished a share of the expanding U. S. market. "Or," he asked, "will there be a market expansion in the U. S.?"

Washington trade officials were surprised that Mikoyan did not press the trade question harder than he did and at least come up with some constructive suggestions. On the Lend-Lease issue, for example, he left things just where they were back in 1952. So these officials concluded that Russia isn't too anxious to buy U. S. goods, except certain equipment that's on the banned list. They believe that Moscow keeps the trade issue alive as a propaganda weapon. It gives the Russians a chance to charge that the U. S. is unfriendly.

For all Mikoyan's talks with businessmen, Washington still feels that American industry isn't much interested in trade with Russia. For every businessman who suggests easing trade policy, says one official, there are several others in the same industry who oppose such a move.

Five NATO nations in Western Europe will pool their resources and spend \$500-million or more to build a U. S.-designed air defense missile. The countries involved are all on the Continent—Belgium, France, West Germany, Italy, and the Netherlands. The missile is our Army-Raytheon Hawk.

This pooling agreement is in line with the policy Washington pushed at the NATO meeting late in 1957. At that session, Pres. Eisenhower promised our European allies that the U. S. would help them in large-scale production of advanced weapons.

Five European companies, one from each member of the pool, are to handle production of the Hawk. They will be grouped into a sort of holding company that will be officially recognized by NATO.





THESE "EMPTIES" ARE BIG WHEELS IN THE SHIPPING ROOM

### IS YOUR SHIPPING ROOM PART OF THE PLAN or just an afterthought?

Properly planned, it may make a large contribution to your over-all cost-reduction program. The branded cores shown here identify 3 unusually gifted gummed tapes — exclusive Hudson developments that *speed sealing and reduce expenses*.

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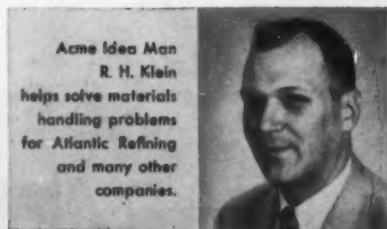
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# In Labor

## Cuts in Railroad Passenger Service

### Spur Unions' Drive to Save Jobs

The Railway Labor Executives' Assn. of 23 unions announced this week that it will use "every legal resource possible" to block "unjustified" abandonments of passenger service.

The unions are worried over the decline in railroad employment, and see in the drive to save passenger service a chance to save jobs.

The National (Railway) Mediation Board earlier last week sustained the unions' contention that they can bargain over proposals to stabilize employment.

## Hatters Takes Over Majority Stock

### In Ailing Company to Save 325 Jobs

The United Hatters, Cap & Millinery Workers this week invested \$300,000 and became majority stockholders in the century-old Merrimac Hat Corp., to prevent liquidation of the Amesbury, Mass. company and save 325 jobs.

The investment is the second such rescue operation by the union. The first was a loan of \$200,000 to the Kartiganer Hat Corp., in 1954. The company has repaid all but \$25,000 and will pay that next month.

The investment violates the AFL-CIO Ethical Practices Code. But Hatters Pres. Alex Rose has assured the federation that "no officer of our union will derive any personal profit from the Merrimac investment, nor is our union entering this transaction for its own profit or power."

## Strike Ends at International Harvester;

### Oil and Coal Workers Sign New Contracts

Some of the dark clouds cleared from the labor horizon last weekend. One major strike ended. Spreading settlements averted serious tie-ups in the oil industry.

A United Auto Workers strike against International Harvester ended after 66 days. Workers O.K.'d a three-year contract that raised pay 6¢ an hour or 2½%, whichever is greater, plus 4¢ to 8¢ an hour more for skilled workers. Wages will go up another 6¢ an hour or 2½% this Sept. 14 and on Oct. 3, 1960.

The UAW-Harvester terms will probably set a pattern for Allis-Chalmers negotiations, resumed this week.

Strikes at seven of 11 Electric Auto-Lite Co. plants ended after seven weeks when UAW and Auto-Lite signed a national agreement for a 4¢ raise, plus an added 4¢ for the skilled. Another 4¢ will be paid after one year of the three-year pact. Locals still on strike criticized the 4¢ as an "inadequate" under-pattern raise.

In the oil industry, the Oil, Chemical & Atomic

## MORE NEWS ABOUT LABOR ON:

- P. 84—Reform bills build up steam.

Workers accepted a general wage increase of 5% (about 13¢ to 16¢ an hour) as a basis for settling wage disputes dating back to an early 1958 contract reopening. The union wanted 25¢ but took the 5% offered by companies on a strike deadline. Unless extended, major oil contracts expire this June.

Meanwhile, John L. Lewis cleared up United Mine Workers bargaining, peacefully, as usual, by settling with anthracite mine operators for a \$1-a-day raise and a 20¢-a-ton boost in the welfare fund royalty paid by operators on hard coal production.

## Handicapped Workers Seek Recognition

### For Union in Rehabilitation Plant

The Federation for the Handicapped, which runs a rehabilitation center in New York that manufactures electronic parts, this week faced a labor problem. Its "employees" struck for recognition for their union, the Community Social Agency local of the State, County & Municipal Employees.

"We're not interested in representing agency clients," the union explained, "but when clients become workers they have a right to a union." It charged that the social agency runs its center "just like a factory," pays substandard wages while exacting full production quotas.

The agency denied this but conceded that it made mistakes which led to the present "misunderstanding."

## Supreme Court Upholds Teamsters

### On Contract-Set Truck Lease Rates

The International Brotherhood of Teamsters this week won its fight against the use of a state antitrust law to void truck leasing provisions in IBT contracts with carriers in 12 Midwestern states. The U.S. Supreme Court ruled 5-to-1 that the Taft-Hartley Act bars the application of an Ohio law in the case.

IBT's 1955 contracts with Central States carriers sets a minimum rental that a carrier must pay if it leases a truck from an owner who drives the truck for the carrier. An Ohio owner-operator challenged the legality of the IBT contract, cited the state's antitrust law. Ohio courts ruled for him.

In an appeal, the union argued that the minimum rental clause is necessary to prevent carriers from undermining negotiated wage scales by lease arrangements that would pay owner-operators less than scale wages for driving.

The high court ruled that, in light of this background, the point of the minimum rental clause is "obviously not price-fixing but wages." It held that Ohio cannot use its antitrust law under the circumstances to "frustrate" the solution of a problem that is a proper subject for collective bargaining under the Taft-Hartley Act.



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# Reform Bills Build Up Steam

Proposals of Democrats and Administration cover the same territory—up to a point. The sharpest split is over enforcement measures, union picketing and boycotting.

Egged on by the Eisenhower Administration and organized labor, the 86th Congress is getting set for an early fight over major labor legislation.

The new Congress is heading into full and highly opinionated debate not only on labor reform legislation but also on the Taft-Hartley Act.

Other legislative issues on Capitol Hill include an increase in the minimum wage, aid to depressed areas, and bigger and broader unemployment compensation. But the concentration from all sides will be on labor reforms and how far to go to achieve them.

• **Opposite Views**—Here, the White House and AFL-CIO are poles apart. Labor Secy. James P. Mitchell, for the Administration, argues that Taft-Hartley revisions must be included in an effective anti-racketeering bill. For example, Mitchell argues that "hot cargo" boycotts against neutral employers, as allowed by T-H, are a "prime source of violence, shootings, muggings, and other kinds of conflict. . . ."

Organized labor wants some changes in the labor-management law, but it promises all-out resistance to curbs on boycotts and picketing sought—as necessary reform measures—by Republicans.

Sen. John F. Kennedy (D-Mass.), who has labor's backing, agrees that major Taft-Hartley legislation should be discussed this session—but only after a reform measure has been passed. Kennedy last week named a nine-man committee of labor relations experts to recommend what—if any—T-H changes should be made (BW—Jan. 17'59, p98).

He pledged that after the panel of T-H experts reports, he will introduce a second labor bill dealing with changes in the basic labor law. "Let us first stop racketeering without becoming bogged down in the heated and complex issues raised by the entire Taft-Hartley Act," Kennedy advised the Senate.

• **Kennedy Bill**—The Massachusetts Democrat offered Congress a 1959 version of the moderate Kennedy-Ives bill that lost out in the House last year. This time, a further indication of the political split in Congress, Kennedy had no Republican co-sponsor to replace former Sen. Irving Ives of New York. Kennedy sought the support of Sen. John Sherman Cooper of Kentucky to make his bill bipartisan, but was turned down.

The 1959 bill drops provisions for non-Communist oaths for union officers and employers, and has a revised

section covering employer communications, to "allay employers' fears" that normal practices would be affected.

Kennedy said his bill is aimed specifically at the Teamsters' James R. Hoffa "and his ilk."

It would require reports on union financial affairs, and impose criminal penalties for false reports; require secret ballot election of officers at regular intervals; outlaw "shakedown" picketing and the solicitation or payment of extortionate fees for unloading interstate carriers; require public reports of certain middleman operations in labor-management relations, and make a few "relatively noncontroversial" changes in the T-H law—most of them amendments sought by unions.

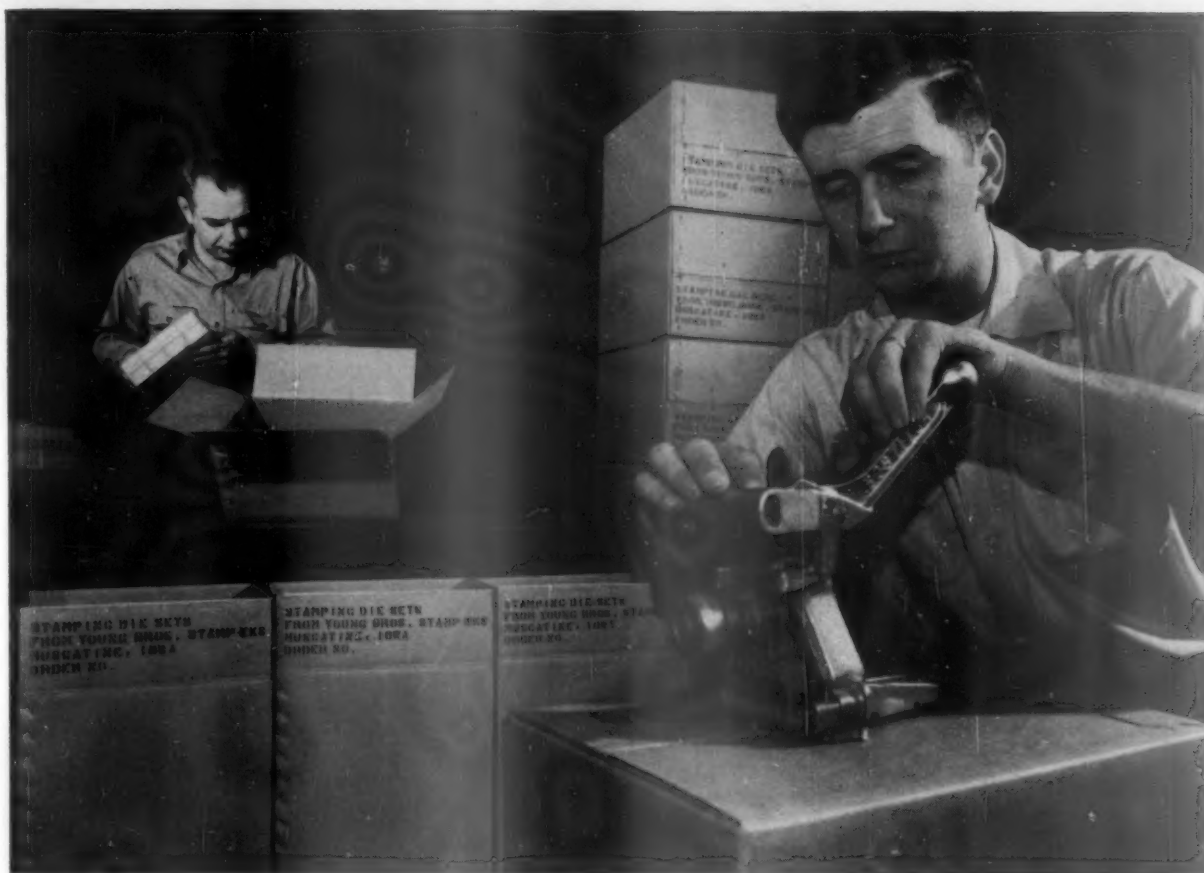
• **GOP Reaction**—Pres. Eisenhower, who opposed the original Kennedy-Ives bill, already has indicated opposition to the 1959 version; he has said that "half-hearted measures will not do."

The proposals by Kennedy and the Administration cover much the same reform territory—federal controls over union treasuries, rules for democratic elections, and regulations covering the responsibility and integrity of union officers. But the Kennedy and Administration proposals begin to move apart on enforcement measures and the punishment of violators, then split completely on the Administration's provisions aimed at "blackmail picketing" and union boycotts against neutral employers.

• **Battle Strategy**—In the past weeks, both sides have devised strategy for the coming battle. As the Senate and House Labor Committees prepare for hearings, this is the way the opponents line up:

• A surprise alliance of Mitchell and Sen. Barry Goldwater (R-Ariz.), ranking Republican on the Senate Labor Committee, has solidified the opposition to the Democrats. Goldwater, who has clashed in the past with Mitchell's more liberal views, will introduce the Administration's labor package to Congress. The new Mitchell-Goldwater combination will bring together most of the GOP forces that have been divided before by their conservative-vs.-moderate differences of opinion on labor laws.

• Democratic leaders placed liberal legislators in the new seats opened up in the House and Senate Labor Committees, due to the bigger Democratic majorities in the new Congress. As it stands now, the Democrats have a 9-to-6 ratio in the Senate committee instead



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The increase in the length of the skating season that Spang pipe has brought to rinks has also brought a tremendous increase in enthusiastic interest in skating. The rink illustrated, for example, is the only one of nine in a Michigan city that does not depend on natural freezing. It was used for 142 days, while the

others were in service only 67 days, and was so popular that it was necessary to schedule hours for individual and group use. Young and old now enjoy this healthy sport, in numbers that have abundantly justified the building of many municipal rinks, and that have paid an excellent return to individuals who installed rinks as a private investment.

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of the one seat majority they had in 1958. The House Labor Committee now has 20 Democrats to 10 Republicans, a three-seat gain for Democrats.

• **Other Alignments**—At first glance, the Democratic majorities would seem to be all that's needed to put a Democratic bill across. But when Mitchell and Goldwater reached a compromise on legislation, they may have rounded up other support.

First, their alliance means that conservative Republican ideas for tougher moves against labor are being dropped. Goldwater gave up his plans to press for federal curbs against union monopoly practices, political action and union shop clauses.

This not only won over most of the Republicans, it could also cut into the Democratic vote by an appeal to the conservative Southern Democrats. Whether it does, could depend on the position of Sen. John L. McClellan (D-Ark.), chairman of the racket investigating committee whose revelations prompted the reform move last year.

McClellan supported the Kennedy-Ives bill in the last Congress. He plans to introduce his own bill this session—one that may be tougher than that that Kennedy proposes, probably closer to the Republican position. McClellan is likely to take conservative Southern Democrats along with him.

• **Chances of a Veto**—The Republicans hold another key card. If a reform bill under Democratic auspices doesn't come close to the White House proposals, it faces a Presidential veto.

This prospect already has toned down the AFL-CIO approach. This week, Elmer Brown, president of the International Typographical Union, attacked AFL-CIO for what he called a "hat-in-hand approach" to Congress on the Taft-Hartley law.

• **Outlook Now**—A Congressional headcount at this point would favor the Kennedy-organized labor position. Republicans may not be able to whittle down the Democratic majority. But, the GOP has the White House, and the liberal Democrats may have to alter their position on a number of counts to get a bill approved there. They can't count on enough votes to override a Presidential veto.

Senate hearings on the Kennedy bill start next week, and will be limited to nine days, Kennedy hopes. Action by the Senate in February is considered possible. Kennedy says that the chances for his reform measure are "extremely good" this year—if Congress can avoid wrangling over making changes in the Taft-Hartley law at the same time.

Kennedy would not estimate the prospects for his promised second bill that would deal with over-all Taft-Hartley revisions. Generally, major changes are considered unlikely this year. **END**





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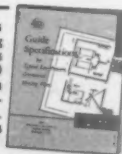
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# Argentina's First Call on U.S.

**Pres. Frondizi, turning his back momentarily on internal problems, hopes to gain official goodwill, private aid on visit.**

Argentines, their heads spinning from a rapid-fire series of economic reforms over the past eight months, are still wondering what hit them.

A year ago, they watched Dr. Arturo Frondizi play the demagogue during the pre-election presidential campaign. They lapped up his fiery speeches wooing the followers of ex-Dictator Peron and supporting anti-Yanqui nationalism. Then, to the dismay of many U.S. businessmen, they swept him to power on a landslide vote.

Since inauguration last May, the 50-year-old Frondizi has fooled both backers and critics. With a take-it-or-leave-it attitude, he has pushed through a slambang economic reform—and even has tried to reshape the nation's view of where it fits in the free world.

• **Untimely Departure**—Breaking precedent, Pres. Frondizi this week arrived in the U.S. for a 12-day official visit (picture). This is the first time that an Argentine president has come here.

As it turned out, Frondizi could hardly have picked a worse time. On his departure, Argentina was in the throes of a labor crisis so severe that the country was under a state of siege. At midweek, it appeared that the government may have broken the backbone of a nationwide strike by drafting transport workers into the army. The general walkout supported by Peronista and Communist unions alike, followed earlier labor disturbances. These generally have protested the government's austerity program. The government has alerted troops and reservists and announced its intention to squash politically inspired strikes.

• **Dual Purpose**—Despite rumors that his trip might be postponed, Frondizi left Argentina as scheduled, under heavy guard. Officially, his visit here is a goodwill mission—to smooth over thorny U.S.-Argentine relations that had existed during the Peron decade. But his real aim is to attract a wave of new private U.S. investment in his country.

Frondizi already had laid the groundwork to lure U.S. businessmen, who waited through the days of the provisional government (Sept. 1955–May 1958) to see what form an elected government would take. Firmly backed by the armed forces and almost ignoring Peronista outcries, the new president has:

• **Tackled forthrightly** Argentina's old trio of economic problems—shortage of electric power, burdensome pay-

ments for huge oil imports, and a dilapidated railroad system.

• **Clamped the lid** on Argentina's deficit-ridden high living with an austerity program similar in many respects to Gen. de Gaulle's in France.

• **Won a \$329-million loan package** from Washington and private U.S. banks to help put the Argentine economy back on a sound footing.

For Frondizi, "austeridad" means a sweeping program: meatless days twice a week, heavy surcharges on nonessential imports, sharp cutbacks in the government payroll (now 1.8-million workers), increased taxes, and the end of state subsidies for all sorts of goods and services. While prices already are soaring—fuel up 200%, meat up 75%—the government hopes to prevent wages from chasing after this rise in the cost of living, and thus force Argentines to tighten their belts.

• **New Focus**—What may be more important, in the long run, is the course of Frondizi's program. Where Peron tried to force the country to industrialize, partly to boost national prestige, the new government is emphasizing—quite sensibly, say most economists—development of farming and cattle raising. Meat and wheat exports have been declining steadily, though Argentina counts on them for the bulk of foreign-exchange earnings. Now the government is aiming to encourage these exports by giving farmers and ranchers a bigger share of export profits.

• **Oil Program**—Yet Frondizi by no means has overlooked Argentina's other resources—particularly its vast, proven oil reserves and its potentially productive middle class. Dogged by oil imports costing over \$300-million annually (about the amount of Argentina's trade deficit), the government, through its oil-monopoly company, YPF, has signed \$240-million worth of oil-drilling contracts with Pan-American International (subsidiary of Standard Oil of Indiana), Union Oil, Carl M. Loeb, Rhoades & Co., Esso, and Shell. Oilmen figure Argentina could become self-sufficient in three years.

What's more, Frondizi's desire to give foreign capital a fair shake—shown by his settlement of old disputes with American & Foreign Power and Belgium's CADE, the two main electric utilities—has stirred up \$100-million worth of new investment offers from U.S. companies. And they are big names, including Ford, Monsanto,



**PRES. FRONDIZI** and his wife arrive in U.S. for first visit by Argentine president.

Pfizer, Koppers, and National Lead. All told, Frondizi has attracted 10 times more U.S. investment in just eight months than Gen. Aramburu did in two and a half years of provisional government. Yet, say economists, the country could absorb an estimated \$1-billion of foreign investments annually for 10 years.

That's one indication of how far Argentina must go before reaching the economic stature that foreign observers say is due. They point to its 21.2-million population—highly educated and 97% of European descent. They talk of 2.3-billion bbl. of proven oil reserves. They see a fast-growing consumer market. But while banking on the success of his economic reforms, Frondizi himself says the situation he has inherited is "sad, if not tragic."

• **Past Decade**—Take a look at the past 10 years. Since 1948, currency in circulation has risen from 7.1-billion pesos to over 70-billion. At the same time, the cost of living has multiplied six times. At the end of World War II, gold and dollar reserves exceeded Argentina's foreign debts by \$1.3-billion. But at the end of 1958, debts outran reserves by \$1.1-billion.

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bad fiscal management. But it was also the result of Peron's long dictatorship: misdirected nationalism, wage boosts for workers ("the shirtless ones") without boosts in productivity, and payoffs to supporters of the government.

• **Practical Politician**—Even Frondizi, of course, has to play politics to put over his reforms. For instance, taxes now cover only around half of the government's annual expenditures of \$1.5-billion (converted from pesos at the new, free rate of around 65 pesos per \$1). Yet Buenos Aires observers estimate that Argentina's armed forces take up about half of the government outlays. The reason Frondizi allows this is simply that he needs—and is getting—the support of the armed forces.

In fact, Frondizi, while considered an intellectual, is proving to be a superbly practical politician. He signed a \$110-million contract for oil equipment with the Soviet bloc, partly to show voters that his government was not favoring the U.S. in its oil-development program. Then he turned to U.S. companies for the largest chunk of foreign oil help—without getting any major repercussions from Argentine nationalists.

With similar flexibility, he has slapped surcharges on exports and imports. But he exempted neighboring Chile, Uruguay, Paraguay, and Bolivia to help spur a regional common market.

Right on the home front, Frondizi has skillfully parried with the Peronistas. When the railroad workers went on strike last month, he used the armed forces to keep them in line—and acted swiftly. But he dealt more gently with the Peronista-led strike in the oilfields.

The real test, as Washington officials point out, is still to come. Early in his term, Frondizi raised wages 60%, then followed with some smaller increases. When he grants the next round of wage hikes—which seems likely to happen—Washington officials hope these will be the last ones tied to the cost of living, and that future raises will be closely linked to productivity.

• **Washington's Views**—Washington has mixed opinions about the potential success of Frondizi's program. Pessimists point to the long decline in international markets for Argentina's main exports, such as meat and wheat. But, optimists note that with West Europe's and Argentina's moves toward convertibility, Buenos Aires now can use its large European dollar earnings to help buy in the U.S. market.

On balance, Washington officials who have been meeting with Frondizi this week feel that despite possible political unrest from the austerity program, Argentina now has a better than 50-50 chance of attaining some stability and prosperity—a goal that looked impossible a year ago. **END**



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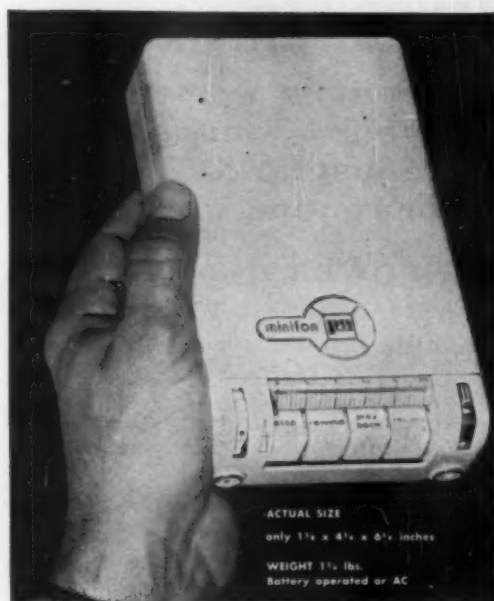
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## Congo Outlook

Belgium's concessions to home rule are bound to affect business operations in the rich colony—and soon.

Now that rioting in the Belgian Congo (BW—Jan. 17 '59, p. 82) has subsided, businessmen in Brussels are trying to assess the economic impact of the Belgian government's promise to grant home rule and eventual independence to the Congolese.

At stake are roughly \$4-billion worth of Belgian investments in the roads, railways and other transportation, electricity, mines, and agriculture of the rich Congo.

The government's announcement of a new long-range program of social benefits and political rights is viewed by Belgium's business community as an emergency measure to stop the bloodshed of two weeks ago, to keep peace among the 12.8-million Congolese, and to safeguard property in the colony.

• **Step by Step**—Under the new policy, the first political step will be to allow Congolese to set up councils to deal with local problems, urban and rural. About a year later, larger councils will be elected to govern the 135 territorial divisions. Then, also in 1960, councils will be created on a still higher level to rule the colony's six provinces.

Finally, at some unspecified date (guesses range from 5 to 10 years), Congolese are to get full power over all phases of government except defense and foreign affairs.

• **Under Pressure**—Before rioting broke out, Brussels observers say, the Belgian government was preparing to vol-

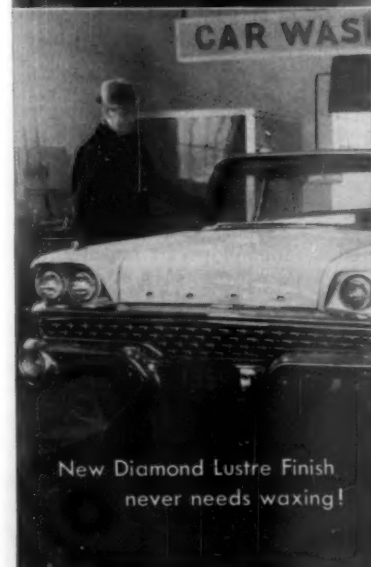




Standard Ford engines—Six or V-8—thrive on regular gas!



New aluminized muffler lasts twice as long!



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This '59 Ford is a specialist in cutting costs. With Ford's Mileage Maker Six or Thunderbird V-8, you use regular gas . . . for a savings of up to one dollar on every tankful.

And this is only the start! Ford's new aluminized mufflers bring you *twice* the muffler life. You'll go 4000 miles without changing oil with Ford's new, standard Full-Flow oil filtration. Ford's new Diamond Lustre Finish never needs waxing or special upkeep—you polish simply by washing. Then, there are the famous low Ford prices. They *start* lower than any of the most popular three. When you wrap all this in Ford's elegant Thunderbird styling, you wonder how anyone could go anything but Ford for '59.

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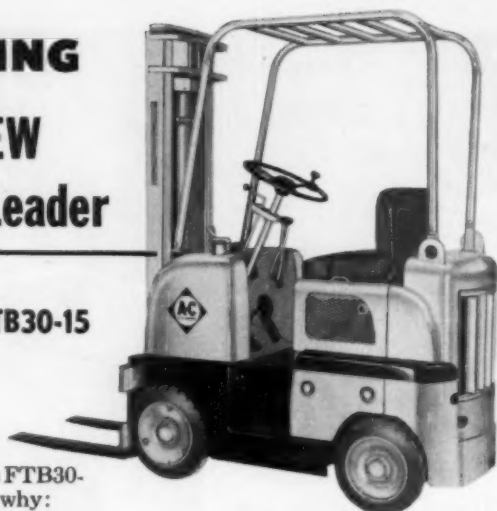
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savings. Just 20 seconds to prepare for service, 20 minutes to prepare for overhaul.

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## REFRIGERATION HELPS BUILD AIRPLANES



Refrigeration plays an important part in building the new F-27 jet prop transport at Fairchild Aircraft & Missiles Division, Hagerstown, Md.

From air conditioning the offices, cafeteria, certain machinery rooms, labs, and computing rooms, to special treatment of metal parts used in the

airplane itself, Frick refrigeration has proved an invaluable aid.

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unleash a change in policy toward the Congo. However, no one seems to doubt that the concessions made last week went further than the government's own policy change would have.

The additional concessions were wrung from Belgium under the urgency of the bloody rioting, backed up by at least two major pressures:

- Pan-Africa's general push for independence, which got fresh impetus from the All African Peoples Conference staged this winter in Ghana.

- Unrest in the Congo itself from effects of the worldwide recession, particularly mass unemployment. About 50,000, or one-sixth of the population, were out of work in Leopoldville, the Congo's capital, when rioting broke out.

Thus, the Belgium government is acting fast to keep from losing the Congo entirely, as Belgium's neighbor, Holland, lost the Dutch East Indies.

- **Business Effects**—So far, the Brussels government hasn't said what the new policy will mean for Belgian business in the Congo. It hardly needs to do so. Brussels businessmen, particularly among the Congo's "Big Five"—such as La Societe Generale's Union Miniere, and Unilever—can read the writing on the wall as well as the next man. In the opinion of Brussels observers, here's what is likely to happen as the new policy takes hold:

- To support new welfare plans, including unemployment benefits, bigger tax bites will be taken from Congo companies.

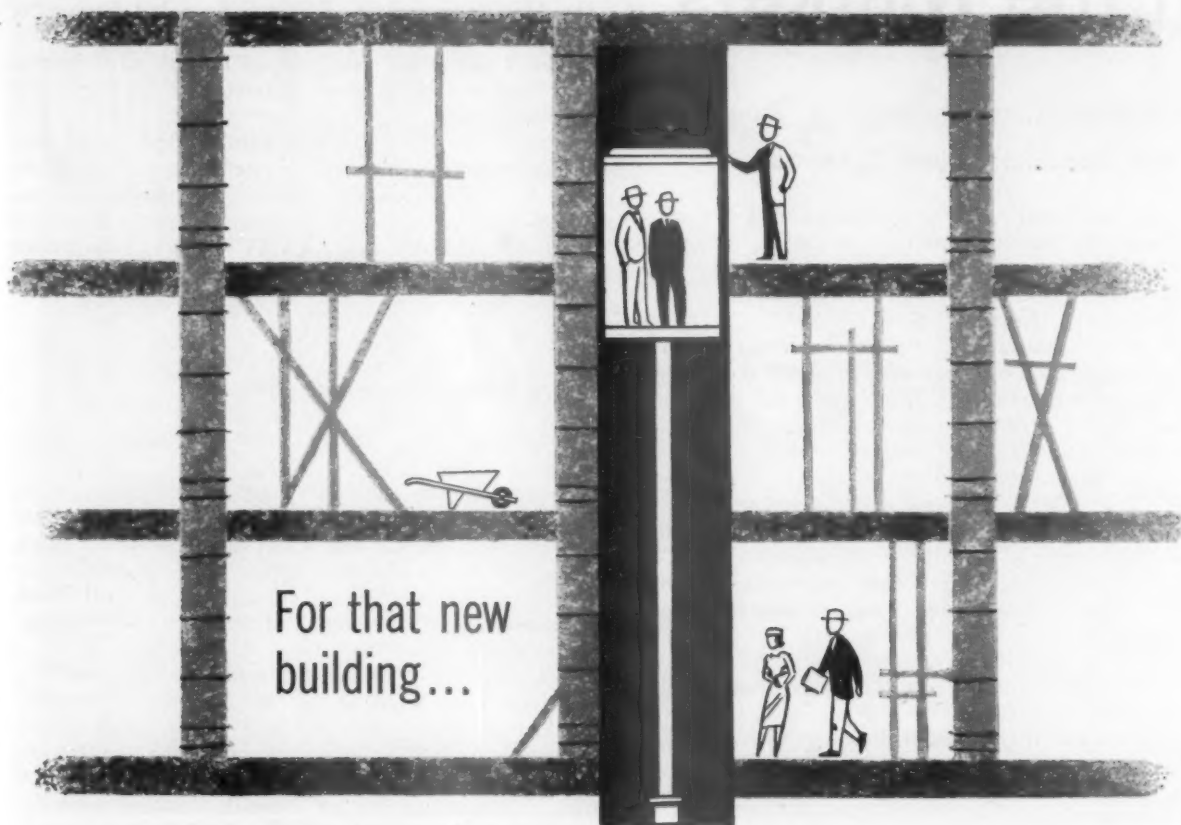
- Belgian companies operating in the Congo will lose much of their political influence, may end up simply as foreign companies in the colony. Until now, they've had things pretty much their own way.

- Foreign non-Belgian companies will probably have a better chance to get into business in the Congo and to compete with Belgian ventures on more equal terms. So far, only two U.S. companies—U.S. Plywood Corp. and Armco Steel Corp.—have substantial interests in the Belgian possession.

## BUSINESS ABROAD BRIEFS

Canada's Weston Group, out to forge a chain of supermarkets in West Germany, has set up a subsidiary, Deutsche Supermarket Handels-Gesellschaft, in Munich. The company's starting capital of \$240,000 will be expanded.

British Motors Corp.'s new Austin A55, a four-door sedan, has an Italian-styled body with tail fins. It was designed by Pinin Farin of Turin. French auto makers last year for the first time turned out more than 1-million cars, trucks, and buses.



## SAVE ON CONSTRUCTION COSTS WITH **Rotary Oilraulic<sup>®</sup> Elevators**

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# In the Markets

• • •

## Convertibles, Currently in Favor, Appeal To Both Speculators and Conservatives

Convertible bond prices, which naturally move closely with prices of equivalent common stocks, this week were close to historic highs. But market observers say the long bull market in stocks is not the only reason for the popularity of the convertible bond.

Speculators have been buying convertibles because they offer a method to circumvent the Federal Reserve's 90% margin requirement. There's no legal restriction on how much you can borrow to purchase a convertible, and many banks will lend over 80% of the purchase price to a good customer. That's the reason, says Richard R. Whiting of R.H.M. Associates, that many convertibles today sell at a premium over their market value based on the current price for the common.

More conservative investors have been using convertible bonds to "hedge" against a possible market decline. By buying a convertible bond and selling the same amount of the equivalent common short, the investor is protected no matter which way the market goes. If the market goes up, he simply converts the bond and closes the transaction. If the market declines, he can make a substantial profit by selling the convertible—which normally won't decline so fast as the common—and buying back the common.

## Stock Market Credit Continues to Climb

Stock market credit rose during December for the fourth month in a row. Customers' net debit balances with members of the New York Stock Exchange—amounts lent, principally to buy stocks on margin, less customers' cash balances—now stand at \$3,427-million. This represents an increase of \$250-million since July despite two hikes by the Federal Reserve in margin requirements.

Market men say that stock credit is staying up because the Fed, when it raised margins, did not limit the so-called substitution and withdrawal privileges. These allow traders to switch securities in accounts opened before margins were raised, while still retaining the lower margins. This is the reason, they add, why market credit is still an important factor in the market's continued climb.

• • •

## Bond Market Reacts Swiftly to Rumor That Interest Ceiling Will Be Lifted

A jittery bond market sold off sharply early this week on reports that the Treasury will shortly ask Congress to lift the 4½% interest ceiling on U.S. bonds. All segments of the market were affected:

Long-term governments were hardest hit. Already under selling pressure from commercial banks anxious to establish tax losses early in the year, they sank to 30-year lows.

Newly issued corporate bonds also declined, breaking the stable pattern that prevailed in that market ever since the \$350-million Sears, Roebuck issue last September (BW—Sep. 20 '58, p139).

The Treasury bill rate jumped for the second week in a row; 90-day bills now yield over 3%, the highest in 13 months.

Despite the sharp reaction, bond dealers say another market collapse similar to the one last summer is most unlikely. More probable, they say, is a gradual increase in yields. They add that the Federal Reserve may have to raise its discount rate from 2½%, not as a restrictive measure, but merely to bring it in line with open market rates.

• • •

## Short Sellers Rush for Cover, Help Push Industrials Close to 600

Spurred by the scurry for cover of short sellers—who had bet that stock prices would fall—the stock market this week moved up briskly. The popular Dow-Jones industrial average reached close to 600, a level that up to midweek had proved invulnerable. But Wall Street professionals predicted that this ceiling would be penetrated soon.

Behind this belief was the assumption that short covering would continue, thereby acting—in the short run, at least—as an upward push on prices. From mid-December to mid-January, the short interest position in stock traded on the New York Stock Exchange fell 692,277 shares, the biggest monthly decrease since figures were first compiled in 1933.

One side-effect of rising stock prices, which, in turn, helps to push prices still higher, is the increasing number of stock splits. Stock splits add vigor to the market by bringing prices down to levels where they are more accessible to investors.

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## The Markets Briefs

A third stock exchange for New York came one step closer to reality this week (BW—Sep. 27 '58, p46). The New York Mercantile Exchange, which handles mostly potatoes and platinum futures, has authorized its securities trading committee to draw up rules for trading and to take applications from companies that wish to have their stock listed. It has spiraled seats on the exchange to \$3,000, the highest on record.

A number of New York investment houses—including Kuhn, Loeb & Co.—are thinking of forming a mutual fund for investment in British securities. Analysts point out that (1) British securities offer better yields than many U.S. stocks, sell at lower-price-earnings ratios, and (2) convertibility moves have made it much easier to invest in the London market.

One of Wall Street's more durable rumors—a takeover of Rome Cable Corp. by Aluminum Co. of America—still was making the rounds this week. Brokerage houses say the deal may go through at any moment. Since Jan. 2, Rome's stock has climbed to \$38.50 from \$32, a gain of 20%.



Photo: Teletype unit, Clark Purchasing Dept.

## Teletype speeds purchasing processes for Clark Equipment Company

Clark Equipment Company, manufacturers of materials handling, construction and heavy-duty automotive equipment, has mechanized almost every step in the purchasing cycle.

**How it works.** Standard or *fixed* information—such as part number, specifications, etc., on thousands of items, along with vendor's name, code numbers, address, shipping and billing information—is permanently stored in punched tape.

When a purchase is to be made, most of the work is done by this tape and Teletype equipment.

**Saves buyer's time.** Buyer needs only to provide *variable* information—such as order number, quantity, delivery date, etc. No time is needed to look up *fixed* information . . . the tape has it all.

**Saves clerical time.** Teletype operator types only the *variable* information . . . the tape does the rest. Entire order is written in a fraction of the usual time.

And simultaneously, new tapes recording this trans-

action are prepared automatically in the receiving department . . . and the tabulating department . . . to be used to expedite a receiving report and to prepare business machine cards for the open purchase order file.

Also simultaneously—the sending Teletype machine produces five copies of the order on printed forms for distribution to the vendor and to the accounting, production control and purchasing departments.

**More information.** These are the highlights, full details are yours for the asking. Just write to Teletype Corporation, Dept. 12-A, 4100 Fullerton Avenue, Chicago 39, Illinois.

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## Steeltex Saves \$10,000 And 24 Working Days

**Architect Cites Double-Duty Package—Form And Reinforcing;  
Contractor Likes Economy, Versatility Of Pittsburgh Steel Company's  
Steeltex In Luxurious \$1.5 Million Apartment-Hotel**

Double-barreled savings—\$10,000 on cost of material and 24 working days—came through use of Steeltex in constructing the \$1.5 million Presidential Apartment-Hotel in Evanston, Ill.

Steeltex—the wire mesh reinforcing that carries its waterproofed form on its back—provided form and reinforcing for 100,000 square feet of concrete slabs covering seven floors and roof of the luxurious apartment-hotel.

Steeltex from Pittsburgh Steel Products Division of Pittsburgh Steel Company was the logical choice for

the job, according to Architect Kenneth R. Woods, AIA, and Frederick A. Thulin Jr., AIA.

Mr. Woods and Mr. Thulin are principals of Thulin, Woods & Isensee, Inc., Chicago architectural firm which designed the building. Structural Engineer Herbert M. Miller was consulting engineer for the project. Said Architect Woods:

"I believe Steeltex is the only product of its type for supporting concrete over joists—in this case a two-inch slab with joists on two-foot centers.

"Steeltex' big advantage is that

everything comes in one package—the form provided by the waterproofed paper and the reinforcing provided by the wire mesh which embeds itself into the concrete."

• **Appreciates Economy**—Leonard C. Tharnstrom, president of C. A. Tharnstrom & Co. of Skokie, Ill., general contractor, appreciated Steeltex' economy.

"I estimate we saved about 10 cents per square foot on this job by using Steeltex instead of another material."





**Steeltex cuts easily** and fits quickly around protruding steel column. Said James R. Huiras, field superintendent for subcontractor: "It took three men only three days to install 12,000 square feet of Steeltex on each floor. Sheet material would have taken twice as much time and required an extra man."



**Ready for pouring**, Steeltex placed snugly around column is examined by (kneeling) Leonard C. Tharnstrom, president of C. A. Tharnstrom & Co., general contractor; Architect Kenneth R. Woods of Thulin, Woods & Isensee, Inc., and (standing) Pittsburgh Steel Products Salesman William L. Dolan. Mr. Tharnstrom estimated his firm "saved about 10 cents a square foot by using Steeltex instead of other material."

"On top of that," Mr. Tharnstrom added, "Steeltex brought savings with a minimum loss of concrete because the paper reduces the amount of concrete drippage to the floor below."

Another built-in Steeltex advantage—ease of handling and installation—received enthusiastic approval from workmen who installed the Steeltex.

James R. Huiras, field superintendent for sub-contractor Bo-An Steel Erecting Co., Chicago, has used Steeltex many times on various types of construction.

• **Likes Steeltex' Speed**—Speed of installation rates number one on the list of advantages outlined by Mr. Huiras.

"It took three men only three days to install 12,000 square feet of Steeltex on each floor of this building," declared Mr. Huiras. "A sheet material would have taken twice as much time and required an extra man."

"What helped us make such a fast installation was Steeltex' light weight and easy handling. It's easily unrolled, cut to length, tightened and clipped. Men can walk on Steeltex while new sections are laid, too."

"Another good point is that Steeltex fits tightly around columns. It takes only a few minutes to cut Steeltex to fit. After that, you can pour right away."

All the built-in advantages of Steeltex and more—sales engineers to help solve your construction problems—can be put to work for you, too.

How? Just call the nearest Pittsburgh Steel Products district sales office.

See locations at right.

Let Steeltex help provide better construction at substantial savings for you. Call today . . . tomorrow you'll be glad you did.



Continuous reinforcing of Steeltex from section to section with a minimum of side lapping and end lapping cuts costs and speeds installation. Heavy waterproofed paper provides form, prevents drip-through. Wire mesh embedded in concrete gives uniform reinforcing.

► See Sweets Catalog Section 2-B

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# PERSONAL BUSINESS

BUSINESS WEEK

JAN. 24, 1959



Not all the new faces showing up in Washington belong to lawmakers.

The start of a new Congress also heralds the opening of the appointment season, when a new batch of executive talent from private industry moves into the government's administrative jobs.

Frequently the new recruits are replacing businessmen who made the trek to the capital two years earlier. They may have some conceptions of what official Washington is like. But the veterans could tell them that most of these are misconceptions.

This is the picture they give:

When a businessman or professional is lured to the capital, the initial call may come from a prominent man who already has made the jump. "The President (or Secretary) has asked me to get you down here," he'll say. It's very flattering. Or if the recruit is a rising young executive, he may get the call second-hand from his own company president. "Washington wants you," the boss says—often nodding "yes" at the same time.

So in most cases, recruitment is a pretty quick process. The executive accepts, and right away he may get his first surprise.

He may not, as expected, have to make a serious financial sacrifice. Surveys show that the average private income of the appointee from business has been \$14,600—and most of them earn about that much in Washington. True, some men do give up \$100,000-plus incomes; but most appointees these days are either retired, or younger men on their way up.

First, comes a warm welcome at the White House (usually handled today by Gen. Wilton B. Persons, senior Eisenhower aide)—or if it's a top job there may be a few minutes with the President himself. Then lunch with staffers at the White House mess; or maybe a smaller group will take the newcomer to a nearby restaurant, like La Salle Du Bois. In some cases, a similar welcome is carried out at the Cabinet level, with the Secretary presiding in his own private dining room. The effect is the same.

Then comes the collapse.

Suddenly the neophyte finds himself alone in his own office, forgotten, and faced by a staff of frankly suspicious career employees.

All he can really do at this point, however, say old hands, is to sit tight and let the career people know he's not there to kill their cherished programs or turn things upside down. In a few weeks, he's accepted.

But then come more lasting frustrations. Here are the ones almost sure to rankle the new appointee:

- There's never a clean line of authority. Everything he does crosses into some other executive's bailiwick. Red tape is a fact of life.
- Congress is harder to get along with than the toughest board of directors. Testifying, itself, is an immense burden at times.
- Politics is an ever-present worry. "Most of the businessmen coming down here are babes when it comes to politics," says a veteran appointee. Time, the new man finds, never quite cures this.

Thus, after a few months on the job, the appointee develops a feeling of deep futility. Adjustments take place, of course, but they vary widely.

Lawyers, for example, have the easiest time. Financiers also do well. But the general administrator from business usually finds the going much



# PERSONAL BUSINESS (Continued)

BUSINESS WEEK

JAN. 24, 1959

rougher—often due to the lack of the kind of clear authority he considers normal. Hardest time of all is had by the production man.

## **The final disillusionment:**

Office hours are long; night sessions are common; the schedule of "must" receptions and cocktail parties in Washington is heavy. And time spent with one's family often turns out to be less than before.

Most businessmen don't stay long—two years is about average.

When it comes time to go, there will be an exchange of letters, along this line: "Dear Mr. President . . . For compelling personal reasons I must return to private life . . ." And the reply: "Dear John . . . Your valuable services will be greatly missed . . ." Both of these letters are often composed in the office of the retiring official.

—•—

That "average" child you've heard about who spends 20 to 30 hours a week watching television is really broadening his horizons, according to a recent study. Boston University's Foundation for Character Education has found that a youthful viewer's world is enlarged and his experiences enhanced by TV.

Also, contrary to many expressed fears, a child's eyesight is not damaged, nor is his school performance affected adversely by television. Furthermore, TV fare moves a child to read more rather than less. The report cites youthful curiosity and a child's desire to explore the physical world as accounting for the popularity of science, animal, and travel programs.

One caution: Prolonged exposure to television makes children more stereotyped in moral judgments. They may see just the "good" and the "bad," and conclude from some Westerns that a hero is justified in imposing his will. "Television for Children" is available from Boston University, 322 Bay State Road, Boston (\$1.50).

—•—

Maybe you've been approached to give to the U.S. Olympic Committee's \$1.5-million fund to finance American participation in competitions set for 1959 and 1960. If not, you may be soon. The Olympic Businessmen's Committee has undertaken to raise \$240,000, or 16% of the goal.

Contributions, which are tax-deductible, will support these competitions: Pan American Games, in Chicago, Aug. 27-Sept. 7, 1959; Olympic Winter Games at Squaw Valley, Calif., Feb. 18-28, 1960; and the Olympiad in Rome, Aug. 25-Sept. 11, 1960. If you're interested, write committee headquarters, Biltmore Hotel, Madison Ave. and 43rd St., New York.

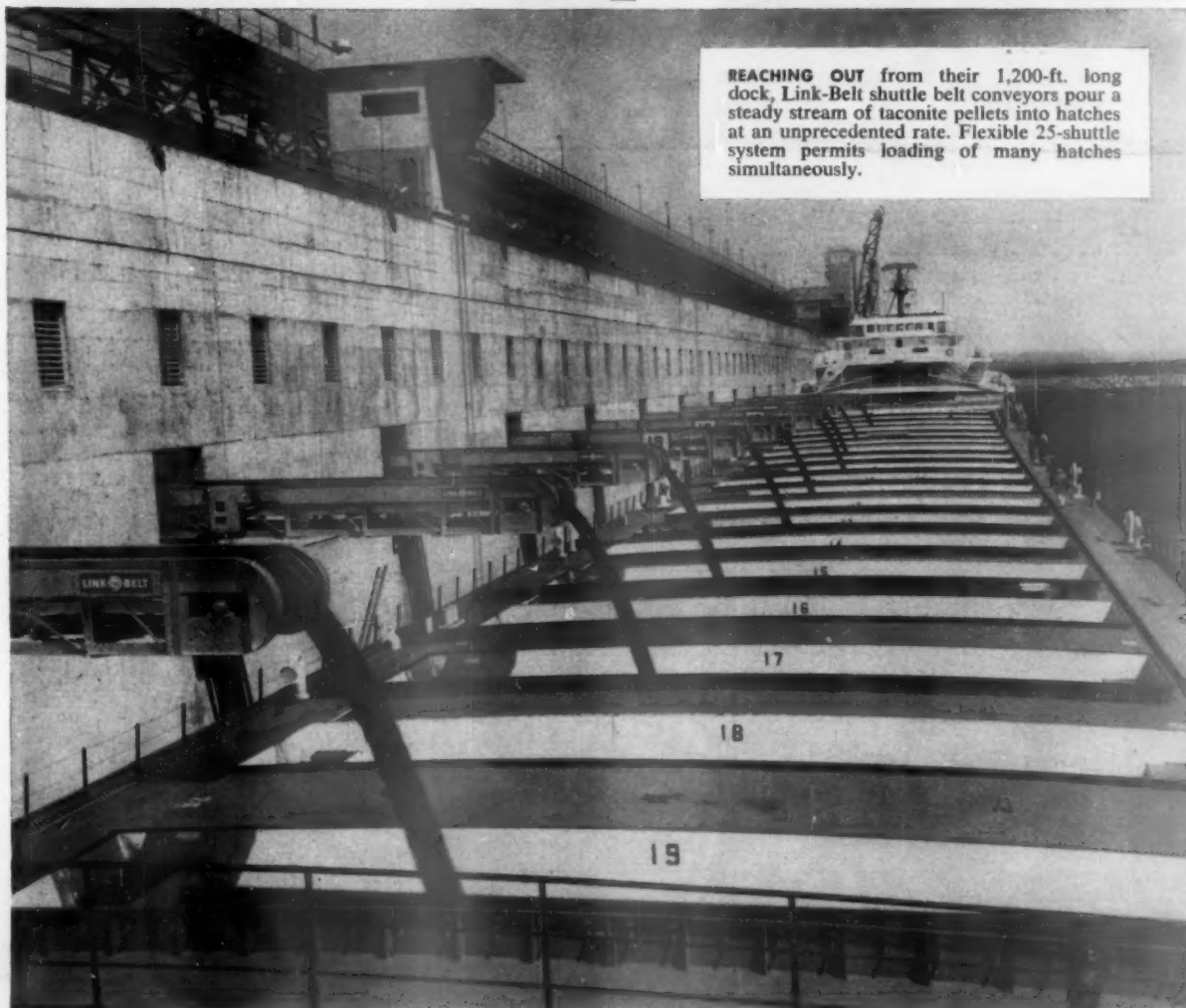
—•—

Travel notes: American Airlines begins non-stop jet flights between New York and Los Angeles Jan. 25. Time: westbound, 5½ hours; eastbound, 4½ hours.

For those who prefer railroad travel, the Rock Island—serving the Midwest and South—next week will cut round-trip fares on sleeping and parlor cars by 28%. The Union Pacific and Milwaukee Road also plan to reduce fares between Chicago and Denver.

Higher air fares? From the President's budget message comes this industry prediction: If the proposed hike in aviation fuel taxes is approved by Congress, then passed along to the air traveler as suggested by the President, the industry figures fares will jump about 10%.

# Push a button, pour a boatful



REACHING OUT from their 1,200-ft. long dock, Link-Belt shuttle belt conveyors pour a steady stream of taconite pellets into hatches at an unprecedented rate. Flexible 25-shuttle system permits loading of many hatches simultaneously.

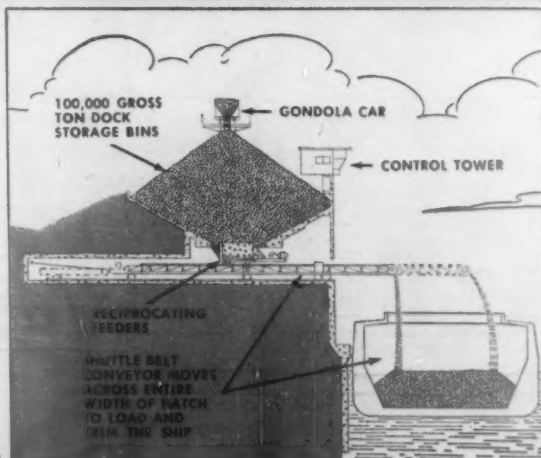
Photo by W. R. Harkins, Duluth

## 25 LINK-BELT shuttle belt conveyors speed loading of taconite—cut turn-around time

WITH its Link-Belt shuttle belt conveyors, this new dock on Lake Superior approaches the ultimate in vessel loading speed and efficiency. Taconite pellets can be simultaneously weighed and loaded into two of the largest iron ore carriers with a precisely controlled flow. Each conveyor loads and trims at 750 or 1,500 gph. And all feeding, conveying, advancing, retreating for one ship are *push-button* controlled by one man—even when "loading blind" in adverse weather.

This unique installation is typical of Link-Belt's ability to meet special materials handling needs. For the full story, write for new book, "Link-Belt at Work," to LINK-BELT COMPANY, Dept. AV, Prudential Plaza, Chicago 1, Ill.

14,002



CROSS SECTION OF DOCK shows flow of taconite from railroad cars to storage bins, then to reciprocating feeders and shuttle belt conveyors. Shuttling action of conveyors speeds and simplifies vessel trimming. Cars arrive daily from a processing plant of 7,500,000 ton annual capacity near the eastern end of Minnesota's Mesabi Range.

# LINK-BELT

One source . . . one responsibility for materials handling, processing and power transmission equipment



## MANAGEMENT

# Ekblom of



ON THE SITE in his Mercedes, Jack Ekblom visits the plant of a merger candidate. "We keep looking until we find a company so sick we can't afford not to buy them," he says.



FAST TOUR of any plant aids decision. "Sometimes you see out of the corner of your eye things that haven't been brought to light for a long time—dead inventory, old tools."

Jack Ekblom, the man who is snooping around the Thermix Corp. plant in Connecticut in these pictures, specializes in the making of mergers. His quick tour of this plant will tell him if he wants to add it to the cluster of companies he has been assembling in the revitalized Hupp Corp.

In the last four years, he has scanned hundreds of concerns in his effort to fill Hupp's corporate shell with the ingredients of a metalworking empire. And in the process he's developed some unorthodox ideas and policies.

• **Auto Fizzle**—To an older generation, Hupp was a respected auto company, maker of the Hupmobile. However, the Hupmobile was run off the road by the competition during the late 1930s. War work on Jeep parts temporarily perked up Hupp's fortunes, and in 1944 Ralph Geddes bought the controlling stock interest.

Geddes took Hupp out of wheeling and into dealing—for new companies and new products. He put together a mixed bag of facilities including a gear factory, a stamping plant, and a window regulator company.

When Ekblom, in March, 1955, chose Hupp as his vehicle for a personal industrial empire, Hupp had run a deficit for five of the last eight years. Net worth had shriveled to a mere \$5.3-million. "And we couldn't find a lot of that," says Ekblom.

Nonetheless, Ekblom sought out Geddes and persuaded him to sell the controlling stock interest at \$3 a share, when the market price was \$2.25.

• **The Comeback**—What did Ekblom see in Hupp?

First, it was about the right size for his first fling at building his own company through mergers, as he had built companies for others. And it had the great asset of a New York Stock Exchange listing, an aid to future mergers.

Results are beginning to appear. Hupp has a new range of divisions dealing with air control, from Gibson's refrigerators to Perfection Industries' new infrared heater. Sales have climbed since 1955 from \$11-million to over \$54-million. Last year, a poor one for metalworking companies as a group, looks like Hupp's first year of \$1-million profits since the heyday of the long-buried Hupmobile. Book value per common share has doubled since 1955.

## I. Making a Merger

The long process of choosing a merger partner—Ekblom has picked up six and kept four of them since 1955—begins in Ekblom's offices at 44 Wall



# Hupp: Buy 'em When They're Sick

St. He and Financial Vice-Pres. James Rowe pore over "the more obscure company reports" and confidential data sent in by their well-cultivated network of "local men"—small city lawyers and bankers.

Over the year, Ekblom and Rowe get 200 or 300 suggestions that are worth considering, and they have about 50 under scrutiny at any one time. Rowe emphasizes their selectivity: "We set up 30 to 40 for each one we merge."

• **Criteria**—"We look for signs of sickness in a company," says Ekblom. "We look until we find a company so sick that we can't afford not to buy them."

Once he has homed in on a merger prospect, Ekblom checks ownership. "I've spent years on one deal involving four owners. The more owners, the more complicated the deal. Each one wants something different—and if there's a woman involved, forget it."

While this dickering proceeds, Ekblom is satisfying himself that the prospect really has the qualifications of a good partner. "We look for diversity of product, yet not so great a diversity that we will wind up with a company in an industry we know nothing about. We ask, will they furnish customer contacts we can approach for some of our other products? Do they offer possibilities for cross-utilization of our metal-working machinery? Do they have pro-

prietary products we can develop?"

Satisfied on these points, Ekblom checks into the local situation. An important question: "What's the reputation of the local labor leaders?"

• **Plant Tour**—Then a quick two-hour tour of the plant (pictures) tells Ekblom whether he will have room for expansion, whether the plant is designed for smooth workflow. Secrecy is essential at this point for both employee morale and bargaining considerations. "I have the management tell employees that I'm a banker. That way they don't worry about me. Even on a quick trip like this you can see out of the corner of your eye the things that haven't been brought to light for a long time—the dead inventory, the outmoded tools."

• **Dickering**—If he is still interested, Ekblom gets down to his forte—the horse-trading at the end. "The trick is simply to figure out what the owners really want. Then we see if we can give it to them and still make money on the deal. What they want may not cost us a thing. Maybe the company is family-owned, and the owner is concerned about having an active stock exchange listing in case he dies. . . . Then we get down to the trading. There'll be the usual horsing around for a point or so . . . but in the end I'm a better trader than he is."

• **Financing**—Meanwhile, he has been

talking to financiers. Ekblom advises: "Go to the same bank which holds some of the company's paper. They will be very happy to participate in any plan which promises to shore up their shaky security . . . show them how we're going to make the \$16-million we're going to borrow from them."

The initial loan enables Hupp to acquire a substantial position in the prospect's stock—"You'd be surprised how holding a 20% interest improves the climate for a deal," says financial man Rowe. The final offer is made in terms of a cash-conserving exchange of stock. Another indication of Ekblom's success: He had to sweeten the earlier mergers with some Hupp preferred; now, he only gives Hupp common.

## II. Man of Many Sides

Ekblom got into merging and managing from a career as a Wall Street consultant in what he describes as the "rigged-wheel marked-card market before SEC came in." Merger work culminated in an eight-year association with Col. Willard F. Rockwell. Rockwell once called Ekblom a "halfer—half engineer, half banker, half manager, half analyst."

Ekblom prefers to think of himself "more as a synthesist than an analyst." For Ekblom this means teaching the

**DOWN TO DICKERING**, Ekblom says: "There's always horsing around for a point or so, but in the end I'm a better trader."





## NO INVESTMENT NEEDED for your new plant in Georgia

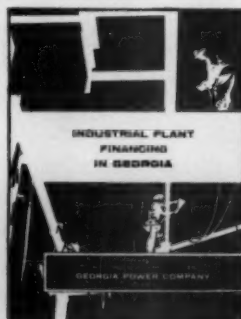
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So if you are interested in locating a plant in the heartland of the rich and growing southeastern market, you may be sure that the right site and the most favorable financing awaits you in Georgia. And our staff of trained industrial development engineers, who know the state and its people, is at your service. All inquiries held in strictest confidence.

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Industrial Development Division  
**GEORGIA POWER COMPANY**  
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managements of Hupp's new acquisitions that financial soundness comes before sales volume. "When we come into a company, we ask them, 'How are you going to get along without money?' We teach them that the first thing you've got to do is regain the respect of the banking community."

• **Stay Profitable**—So Ekblom uses as his first commandment: Avoid bloated but profit-poor sales volume. As he says, "In our industries there's always some fool who thinks he has made a wonderful discovery when he finds you can sell 15 for the price of a dozen."

Even in the discount-happy heating and refrigerating industries, he forbids price-cutting. An example of how drastic—and how successful—this policy can be: When Perfection Industries' competitors took off on a price-slashing spree, Ekblom refused to permit Perfection to follow. Perfection's sales shrank from \$24-million to \$13-million. But where they had been running a loss of over \$1-million, they now turned a small profit on the diminished volume.

### III. Old Dogs, New Tricks

Buying old dogs is one thing; teaching them new tricks is another. To put across his profit-oriented philosophy, Ekblom calls frequent and big meetings of the operating men in the different Hupp divisions.

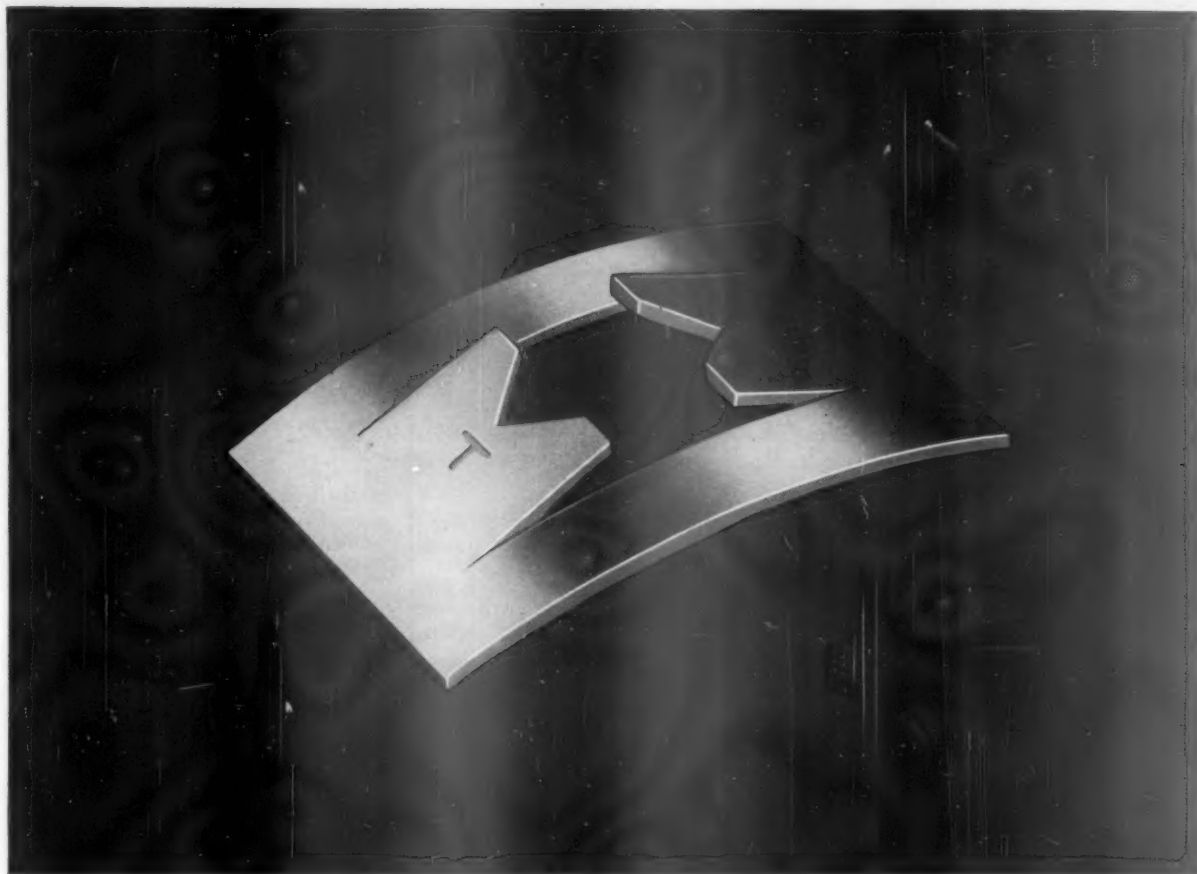
Frequently one division discovers the entree to a tough customer, more efficient metalworking machinery, or some needed inventory exists right within another division of Hupp. Ekblom insists that even lower management men learn the rudiments of ratio analysis—always emphasizing that "it's what winds up on the bottom line that counts."

• **Choosing Managers**—When Hupp merges a company, no wholesale head-rolling occurs. In fact, only four management-level men, all of them specialists, have been brought into any of the divisions since Ekblom took over. He explains: "We don't want new men to go in and repeat old mistakes."

"We'll find every man we want within the company . . . but we want a plodder not an intellectual. Intellectuals can't focus. There are plenty of low-grade morons running successful businesses today because they have the ability to focus on one thing at a time."

"Where men have been removed, it's been at the very top levels—and they have been replaced by men lower in the organization." He admits "A few at the top are beyond redemption. But, either you get rid of them—or you lose the whole company."

• **False Step**—Not all of Hupp's mergers have proceeded smoothly. One where they wandered out of their known metalworking field into electronics re-



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Push-On SPEED NUTS lock on everything from thermoplastics to die-cast, chrome-plated steel. Hundreds of variations to fit any shape or size stud—from very small diameters to larger rectangular shapes. Some Push-Ons have "caps" that cover exposed shaft, axle or stud ends.

Check Sweet's Product Design File, section 8-T. Or look under "Fasteners" in the Yellow Pages and call your Tinnerman representative for complete information and samples. Or write to:

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**COSTS DOWN** . . . moisture, contamination out! A shipper of dry yeast saves \$678 per thousand units, saves on labor, too . . . gets complete protection with Bemis Waterproof (laminated) Bags vs. rigid containers! Flexible packages frequently offer giant economies. Could Bemis lower costs for you?



**MAKE "HAY" WITH A BALER** . . . a Bemis Flip-Close® Poly Baler. The lowest cost multi-pack container of its capacity for many items such as socks, undershirts, shorts, towels, etc. Cost: about one-third of the chip board box it replaces. Saves at least six other ways, too. And—it sells.

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sulted in a close to \$500,000 loss—which they quickly realized by getting out. Ekblom doesn't mince words: "Let's face it, that one was a booboo."

• **Changing Ways**—Gibson Refrigerator offers a good example of the changes Ekblom has wrought. First, he took Gibson out of the discount race, just as he did with Perfection Industries. To salesmen's complaints, he retorted: "We're not after all the business—we only want some of the profitable business."

Then he tackled Gibson's problem of trying to match the competition in offering an ever-lengthening line. While other manufacturers were breaking out in a rainbow variety of color models, Ekblom insisted on keeping Gibson in the black with an all-white line, cut down from 12 models to the four best-sellers.

• **Winning a Point**—The distributing organization, slow to convince, was won over by Ekblom's tactics during the recession. Sensing the downturn early, in January, 1957, he told all Hupp divisions to reduce inventories by 40%. And he insisted on warning the distributors and dealers as well, suggesting that they cut their inventories by a similar percentage.

The policy started paying off in 1958—and '58 was a bad year for most appliance makers. Gibson's sales vaulted 28% over 1957 to set a new high for the company's 51 years of operation.



## New Inland President

Inland Steel Co., moving to spread administrative powers, has a new president: John F. Smith, Jr. (picture), for seven years sales vice-president. Joseph L. Block, former Inland president, becomes chairman and remains chief executive officer, and his brother, Philip D. Block, Jr., goes from senior vice-president to vice-chairman.



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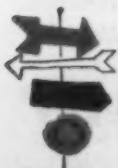
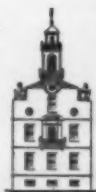
MIT

## Massachusetts Investors Trust Special Distribution of Capital Gains

12 cents a share, net long term capital gains, in shares or, at the option of the holder, in cash, payable February 16, 1959 to shareholders of record December 31, 1958.

ROBERT W. LADD,  
Secretary

200 Berkeley Street, Boston



**BUSINESS WEEK**  
maintains news bureaus and correspondents in 60 cities in the United States and possessions.

## RESEARCH

# Brightening Up the Future



**GAS DISCHARGE**—basis of fluorescent lamps—offers GE's Dr. Carl Kenty clues to finding brighter, longer-lasting lights.



**RADIOACTIVE** isotope of a rare gas, Krypton 85, is used in experimental light being checked by Dr. Jacob Kastner.

Artificial lighting has come a long way since Thomas A. Edison invented the incandescent light bulb 80 years ago. Edison's bulb itself has today about 10 times the efficiency it had then, not to speak of other forms of lighting Edison hardly dreamed of.

But researchers at General Electric Co.'s new \$5-million Lamp Research Laboratory at Nela Park, Cleveland—dedicated only at last year's end—are already embarked on projects (pictures) that could radically change the whole concept of modern-day lighting, just as Edison's invention opened up a new lighting era.

• **Better Bulb**—One new avenue GE scientists are taking is the search for a new material to replace tungsten, the material that glows and gives off light in the center of the incandescent bulb. Tungsten, used for nearly half a century, has about reached its limit of development. The scientists want something to give more light longer, more cheaply, and with less heat.

To find this, GE's scientists are undertaking detailed studies of the properties of materials. They have already found some products that are better light radiators than tungsten—but so far, there's always been a hitch, such as shorter life before failure.

• **Gas Discharge**—Other GE men, such as Dr. Carl Kenty (top picture), are devoting hours of study to gas discharges—the basis for both fluorescent and mercury street lights. Gas discharge bulbs give off light as a result of the action of electrons in gases. But in this field, hardware has far surpassed theory. Dr. Kenty and others are trying to plug the theoretical gaps that prevent new advances.

Dr. Kenty, studying "electrophoresis"—or the separation of two components of a gas mixture under influence of an electrical discharge—has already stumbled by accident on one possible clue to gas discharge. While he was working with a tube containing mercury vapor and neon, its contents suddenly began changing from red to blue, and back, in rolling waves. Further study is expected to explain just why this happens.

• **Glowing Walls**—In the study of electroluminescence—which promises rooms lighted by a soft glow from walls and ceiling—theory has outrun practical application. So far, electroluminescence still gives off too much heat, not enough light to be usable.

To get over this hurdle, GE's researchers are concentrating research on the phosphors. Many are under study, but right now zinc sulphide offers the greatest promise. **END**



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# Industry Moves Ahead with Plan '59...

## *To modernize now for growth and profits*

The most expensive task to be performed in America, in this new year of 1959, is the modernization of our industrial plant and equipment. This is true despite the huge expenditures on new facilities made in the past decade.

Contrary to popular opinion, and even to much learned opinion, our industrial facilities are not up to date. In a special survey conducted in August 1958, and supplemented by further interviews since that time, the McGraw-Hill Department of Economics found that it would take \$95 billion to bring all our plant and equipment up to the best modern standards. This is over \$15 billion more than the record budget of the U.S. government for the coming year.

How did we get so far behind? It is true that business has made record capital expenditures in recent years, but most of this investment has been to expand capacity. And in concentrating on new capacity, industry has fallen behind on the modernization of older facilities. Meanwhile, the \$8 billion a year surge of research and development has brought forth new machines and new processes, at a rate that

makes prewar and even early postwar equipment badly obsolete.

The lag between what research has promised—especially in more efficient tools of production—and what has actually been accomplished up to now shows clearly in the AMERICAN MACHINIST inventory of metalworking equipment for 1958. This new study, covering 167 types of equipment in 5,800 metalworking plants, shows that three out of five metalworking machines are over ten years old. This is a startling indication of how obsolete many plants have become. A 1958 machine tool is 54% more productive than one purchased in 1948. Many of the tools industry now uses are actually of 1939, or earlier, design.

### **Investment Starts Up**

Now industry's plans for 1959 show a new awareness of the need to modernize. In its surveys, conducted during the last part of 1958, the McGraw-Hill Department of Economics discovered these facts:

(1) Companies generally believe that a larger investment in modernization will

**mean more profits—soon.** Most of the manufacturing companies in the surveys expect their current modernization expenditures to pay off in less than five years. With labor costs rising steadily, it is only with better, more modern equipment that most companies can hope to make these profit gains.

**(2) Industry's plans for modernization have been revised upward.** Total plans for 1959 investment, in new plant and equipment, now come to \$33 billion—compared with \$31 billion reported earlier. And most of these new plans are directed toward modernization—installing new processes or making ready for new products, developed out of the most recent scientific advances.

It therefore seems clear that modernization expenditures in 1959 will rise enough to make an impressive start on the job of updating our plant and equipment. But it will be no more than a start. Research also is moving ahead with giant strides. Plant expenditures must increase rapidly, from 1958's low level, to win the battle against obsolescence.

### **How Can We Modernize Faster?**

What can we do to accelerate industry's new drive for more modern plant and equipment? One aid will be an improved flow of technical information on how, and where, to modernize. With this purpose, the McGraw-Hill Publishing Company several months ago inaugurated PLAN '59, a joint effort by all its magazines to spotlight the best opportunities for modernization. During 1959, McGraw-Hill publications will continue this effort by putting special emphasis on new developments in plant and equipment.

On the key problem of financing modernization—the question “Where's the money coming from?”—the McGraw-Hill Department of Economics plans several new studies in the months ahead. The first of these will deal with the number one problem in financing: the need for adequate depreciation allowances. Such studies

are a small, but we hope a helpful, part of the total effort that is needed to modernize American industry.

### **An Individual Effort**

**The really vital steps in modernizing must be taken by individual companies.** The backlog of obsolete plant and equipment is widely dispersed, among firms of all sizes and in all areas. It cannot be wiped out by dynamic equipment policies on the part of a few leading firms. Not just a few, but thousands of industrial companies must take inventory of their respective equipment and compare it, case by case, with the best new machines available.

Finally, there is need for increased public recognition of the modernization problem, and for federal tax policies appropriate to a period of rapid technical change in business.

**The most important point is that the modernization drive has begun. This start can accelerate, with intelligent business and public policies, to give us truly modern industrial facilities. Plant and equipment expenditures are finally beginning to reflect the stepped-up pace of research and development. This can be a major factor in renewed economic growth and prosperity as we move into 1959.**

*This message was prepared by the McGraw-Hill Department of Economics as part of our company-wide effort to report on opportunities for modernization in industry. Permission is freely extended to newspapers, groups or individuals to quote or reprint all or part of the text.*

*Donald C. McGraw*  
PRESIDENT

McGRAW-HILL PUBLISHING COMPANY, INC.



## FINANCE

### What the Billion-Dollar Banks Earned

BANK	DEPOSITS—		EARNINGS PER SHARE		
	Dec. 31 1958	Percent Change	Dec. 31 1958	Dec. 31 1957	Percent Change
	Millions of Dollars				
Bank of America (S.F.).....	\$10,308	+ 8.2	\$3.01	\$2.81	+ 7.1
Chase Manhattan (N.Y.).....	7,386	+ 7.3	4.25	4.24	+ 0.2
First Nat'l City (N.Y.).....	7,010	+ 4.7	5.02	5.02	—
Manufacturers Trust (N.Y.)..	3,258	+ 9.8	4.07	4.06	+ 0.2
Chem'l Corn Exchange (N.Y.)	3,174	+ 8.2	4.25	3.86	+10.1
Security-First Nat'l (L.A.)....	3,087	+11.3	3.59	3.56	+ 0.8
Bankers Trust (N.Y.).....	2,779	+ 8.7	5.47	5.64	— 3.0
First Nat'l Bank (Chi.).....	2,706	+ 3.5	19.42*	19.11*	+ 1.6
Guaranty Trust (N.Y.).....	2,638	+ 8.2	5.04	5.21	— 3.3
Continental Ill. (Chi.).....	2,555	+ 6.7	7.80	7.70	+ 1.3
Mellon (Pitt.).....	1,834	+ 4.6	8.53	8.62	— 1.0
Irving Trust (N.Y.).....	1,775	+12.5	2.64	2.78	— 5.0
National Bank of Detroit.....	1,766	— 1.5	5.22	5.19	— 0.6
Hanover Bank (N.Y.).....	1,713	+ 8.7	3.52	3.74	— 5.9
American Trust (S.F.).....	1,673	+ 8.6	3.97	3.49	+13.9
First Nat'l Bank (Boston).....	1,653	+ 6.1	6.50	6.60	— 1.5
Crocker-Anglo (S.F.).....	1,527	+ 9.9	2.30	2.19	+ 5.0
Cleveland Trust.....	1,348	— 1.3	N.A.	29.75*	N.A.
California Bank (L.A.).....	1,112	+14.1	4.21	3.85	+ 9.4
First Pennsylvania (Phil.)....	1,070	+ 7.2	3.53	4.02	—12.2

\*Net profits

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## ...And Prospects Are Bright

To the extent bankers permit themselves the luxury of forecasting, they are looking forward to 1959 with zest.

Behind them is the recession, from which they emerged in good shape. Deposits have risen substantially (table) in a year when there was relatively little economic growth. Latest figures show that time and savings deposits increased about \$7-billion in commercial banks. Demand deposits are up close to \$4-billion.

The proportion of bank assets in liquid form—short-term securities and cash that can be converted into loans—is relatively low for so early in the recovery (BW—Nov. 1 '58, p86). But last year the banks invested heavily in medium-term securities, which can be sold when loan demand picks up. Thus, while the base for loan expansion is not overly wide, the banks do have room to move if the economy continues to generate steam.

Moreover, bank earnings were better than expected. There were some dull spots, but, in general, banks managed to fight the recession to a standoff. A few reported exceptionally bright earnings.

• **Rise of 8%**—With such a record

behind them, the banks now think they can improve earnings and deposits in 1959. If the economy continues to be robust, bankers and bank analysts look for an 8% rise in earnings, and a further rise in deposits, with variations on the theme for individual banks.

The optimism is based on a number of likely assumptions:

**Rising loan demand** after the first quarter, as business restocks inventories. The rise may be considerably smaller than in the record year of 1955, with some credit men putting it at about \$6-billion. Moreover, real estate loans still are rising at a heady pace. (About 60% of bank earnings derive from interest on loans, with 24% coming from investment income, 8% from various commissions, fees, and charges, 5% from trust department fees, and 3% from other sources.)

Last year, disappointing loan demand forced the banks to add heavily to their security portfolios, generally at interest rates below the prime rate—the charge to the biggest borrowers with the best credit.

Increased loan demand will enable the banks to sell low-yielding securities,

replace them with commercial loans at higher rates.

Up to now, loan demand has been sluggish. Outstanding loans of Federal Reserve member banks in big cities totaled \$31.4-billion at yearend, down from the record \$32.3-billion at the close of 1957. This year, there's been no substantial change and none is expected for at least the first quarter. Business loans on the books of 17 major New York City banks were \$10.7-billion last week, some \$555-million lower than a year ago.

A general increase in interest rates in the wake of increased loan demand. Since the shift by the nation's money managers from ease toward restraint last fall, interest rates have risen. The average loan yield for nine New York banks climbed from 3.92% on short-term loans, 4% on long-term loans (over one year) in September—when the prime rate was raised to 4% from 3½%—to 4.21% and 4.39%, respectively, in early December.

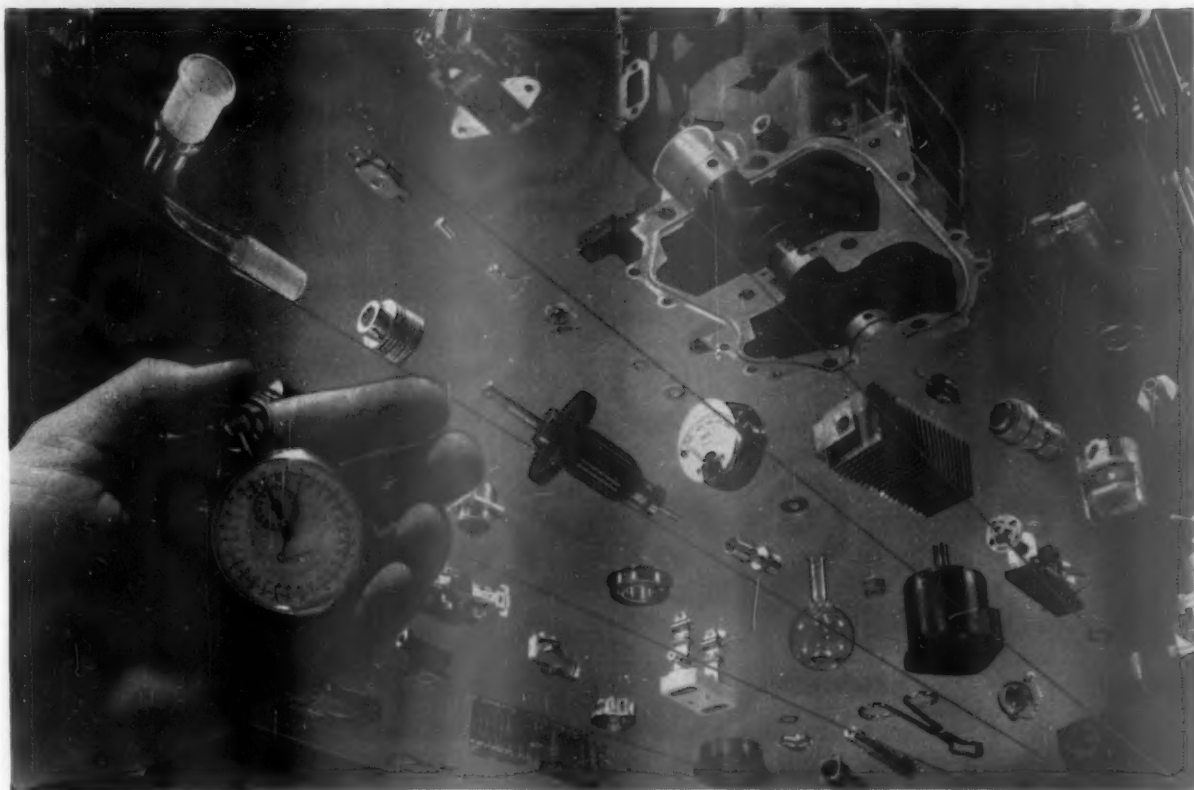
Rates should drift still higher, particularly for mortgages, but bankers generally foresee no steep climb. Few look for any increase in the prime rate unless the Federal Reserve Board initiates another round of tighter money.

A widening spread between loan rates and the rates paid on savings and time deposits. This was a sore point for some big city banks last year. They reached out for time deposits, then found it hard to balance the extra cost of interest payments against earnings from leaner loan business and lower rates. Since midyear, some of these deposits have been withdrawn, partly because corporations are investing directly in short-term securities, whose rates have been rising. As loans are replaced at higher rates, this problem is easing.

**Cost-cutting and modernization** should pay off for at least some banks. Rising costs have plagued much of the industry. Costs vary with individual banks; the First Pennsylvania Banking & Trust Co. had a sharp decline in operating earnings last year, partly because of an across-the-board salary increase.

• **1958 Showing**—If, along with a big upsurge in production, the Fed boosts reserve requirements this year the earning power of the banks could be reduced. But the outlook is generally bright, all the more because the banks came out of 1958's storm clouds so well. It could have been a rough year for some of them.

Time deposits were up sharply, while business loans were down, as were lending rates for a good part of the year. Thus, the bank's chief source of income was shrinking while they were doling out more in interest. But many



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banks still came out with higher operating earnings—which include just about everything but profits or losses from sales of investment holdings.

• **Retailers Shine**—The big, retail, multi-branch banks, which cater to small customers, fared especially well. For one thing, consumer demand for bank services remained high last year; these demands vary less with a business cycle than do the needs of big industry.

What's more, rates charged on consumer loans bear very little relation to money market rates, and react less quickly to money market changes. Four-fifths of the loans in retail banks in California—which generally outperformed the other states in 1958—carry rates that are independent of the going rates in the money market—and normally higher.

• **Return on Securities**—For many banks, increases in earnings are more a reflection of increased interest and dividends from securities than anything else. They were able to add to their securities during the first half of the year, because of the exceptional growth in deposits, along with the easing of reserve requirements and reduced loan demand. Some of this carried over into the second half. And these holdings have enriched earnings.

The top 12 New York City banks, for example, had a decrease of 4.2% in income from loans, according to Frank L. Elliott, bank analyst for Paine, Webber, Jackson & Curtis. But interest and dividends from securities jumped 27.5%. This helped offset the big jump in operating expenses caused by the heavy payments on time deposits. Even so, Elliott reports, total net earnings of the 12 increased only \$43,000.

• **Tax Angle**—Other banks can thank shifts in bond portfolios as the main reason for any increases in over-all profits. In any one year, banks usually take either profits or losses on their investment holdings, to take advantage of special tax treatment allowed them. Banks, unlike other businesses, can deduct long-term losses on security sales from operating income; like others, they can treat long-term gains as capital gains. The profits from such security sales are usually separated from operating earnings—out of which dividends are paid—but they're figured in over-all profits.

Last year, the banks took profits. They cashed in heavily on government bonds, selling out when government bond prices were soaring early in the year. These spectacular gains from security sales show up in many bank reports, causing over-all profits to rise.

It's pretty certain that this type of profit won't show up this year. In 1959, the banks started out with big unrealized bond losses. And they're beginning to register these losses now. **END**





## The case of the balking bridge

It was a dandy day for dedicating a bridge. Which was all to the good since Hizzoner — Mayor Philip E. Bodkin — was about to officially open the Philip E. Bodkin Lift Bridge — 5 million bucks worth of steel, concrete, electrical cables and motors.

As Hizzoner's assistant, I had whipped up a little ceremony complete with speeches, music and ribbon-snipping. As a smasher finale, the big electric motors would ease the lift section down into place and a motorcade, with Hizzoner at the helm, was to roll

over the bridge into Smedley.

Well, the speeches came off splendidly. Hizzoner's niece hacked the ribbon apart. And as the Firehouse Band blatted out a fanfare, everyone gazed expectantly at the lift section, waiting for it to descend in glory.

But it didn't descend. In glory or anything else. Even though Hizzoner huffed and puffed, stormed and hollered, it didn't come down until two days later when some defective electric cable had been replaced. But by that time, Hizzoner wanted to forget

the whole thing. 'Specially when I reminded him that the guilty power cable had been a bargain special supplied by his Cousin Al over the objections of the engineers, who had specified Okonite.

Next day, however, Cousin Al was back working at the filling station and the whole darn electrical system of the Philip E. Bodkin Bridge was being rewired with Okonite Cable.

And, for some reason, Hizzoner keeps about three inches of heavy-duty Okonite Cable on his desk for a paperweight.



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# In Finance

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## Insurance Companies, Banks Square Off In Fight Over Pension Fund Business

A hot fight between financial giants—New York's banks on one side and its insurance companies on the other—shaped up this week over a move to amend the state insurance law. The proposal—to allow insurance companies to operate wholly owned trust company subsidiaries not subject to the banking law—is designed to put life companies in a better competitive position in the lucrative business of administering employee pension funds. The change is being pushed by the Equitable Life Assurance Society.

Insurance companies have had difficulty in competing with the banks, according to Equitable, because bank-trusted pension funds have tax and investment advantages. The insurance companies pay income tax on their net investment income, but all earnings of "qualified" pension funds, on the other hand, are tax free. Similarly, insurance companies are sharply limited in their purchases of common stock, while a pension fund has considerable freedom in buying equities.

Under Equitable's proposal, insurance companies could offer the advantages of a trusted pension plan through trust subsidiaries. But the subsidiary would handle only those plans calling for mandatory purchase of annuities from the insurance company when employees retire.

...

## Central Bank for Mortgages Proposed By President of Home Builders Group

A central bank for mortgages was proposed this week by a leading homebuilding spokesman. Nels G. Severin, president of the National Assn. of Home Builders, said such a bank would assure a flow of funds to the homebuilding industry, and would solve the problem of the government's "perennial on-and-off attitude towards money for the housing industry." It's expected, however, that this proposal will run into heavy opposition from savings and loan associations, which for years have been trying to build up the Federal Home Loan Bank Board into just such a central bank.

...

## Dividend Payments Are Picking Up As Profits Start to Climb Again

More and more corporations are resuming dividend payments cut off during the recession—or increasing payments as profits pick up. In December, reports Standard & Poor's, 51 companies resumed payments, and 104 increased dividends, both the biggest monthly totals in two years.

Last year, corporations bet successfully that the slump in earnings would be shallow and short-lived. Many paid dividends even when earnings barely covered them. And cash dividends for 1958 held up well, roughly on a par with 1957's record totals.

Corporate finance officers now say that dividend payments in 1959 could crack all-time totals. One reason they cite is that while earnings are sure to improve, cash needs for expansion won't be so heavy.

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## The Salesman Who Couldn't Sell

Anastas Mikoyan, First Deputy Premier of the Soviet Union, ended his reconnaissance mission to the U. S. in rather a bad temper. Early this week in Washington, as he wound up his visit, Mikoyan was blaming ex-Pres. Truman for starting the cold war and the State Dept. for continuing it.

It may seem hard to reconcile this outburst with the disarming manner Mikoyan had effected earlier, especially during his junket across the country. But to understand his change of mood all that's necessary is to consider the purposes of his visit and the results he achieved.

Mikoyan's primary objective, without doubt, was to probe for weak spots in the U. S. position on Berlin—to see whether Premier Khrushchev's threats and the Soviet Lunik had convinced Washington of the need for one-sided concessions. His second objective, which he pursued in the most brazen way, was to drive a wedge between American business and the U. S. government, thus to soften up Washington on matters such as disarmament and trade, and even on Berlin itself.

During his initial stopover in Washington, Russia's Deputy Premier found himself buffaloed on the Berlin issue. Secy. of State Dulles flatly rejected the Soviet demand that we withdraw from West Berlin, a move that would ratify not only the division of Germany but Soviet control over all Eastern Europe. When Mikoyan returned a week later to see both Dulles and Pres. Eisenhower, he found the Administration still unyielding. To make matters worse, C. Douglas Dillon, Under Secy. of State for Economic Affairs, turned a deaf ear to his proposal that U. S. trade with the U.S.S.R. should be put on the same basis as our trade with friendly nations.

Mikoyan must have found Dillon's attitude especially annoying after his strenuous efforts to convince American industry that Washington's policy on U. S.-Soviet trade made no sense and was, indeed, an obstacle both to peace and profits. At one stage of his trip it looked as if Mikoyan was making some headway with his gambit. However, by the time he had finished his encounters with business groups in New York City, this divisive tactic was becoming a little too obvious to be successful. So was his oft-repeated trick of mixing assurances of Soviet goodwill with charges that responsibility for the cold war rested entirely with the U. S.

There is little in Mikoyan's American journey to suggest that a new chapter is opening in U. S.-Soviet relations. But perhaps Mikoyan was convinced, as he frequently said he was, that American businessmen are not warmongers. And perhaps he sensed something of the economic and social vitality of this country. If he carries these impressions back to

Moscow, it may have been worth while listening to his version of the Soviet line and even putting up with his effrontery.

## Holding the Line

While the President's Economic Report describes itself as offering "a program for economic growth with stable prices," it is, in fact, stable prices rather than economic growth that have preoccupied the Administration in this document. Indeed, the report has made price stability the very soul of a program for economic growth: "An indispensable condition for achieving vigorous and continued economic growth is firm confidence that the value of the dollar will be reasonably stable in the years ahead." So the operative ideas for the private sector of the economy are "self-discipline" and "restraint," and, for the government, "the prudent conduct of its own financial affairs"—which means a budget balanced at a slightly lower level of expenditures than in fiscal 1959.

The Administration, indeed, makes clear that if prices do show a tendency to rise with the recovery, it would expect the independent Federal Reserve to move toward more restrictive credit policies. Yet the report concedes that "some of the forces that tend to produce an upward movement of prices are themselves expressions of the process of vigorous growth in a free economy." So the aim of national economic policy, says the report, must be "to balance encouragement and restraint."

The question for the coming year is whether the Administration has struck the right balance. Prices have, in fact, been stable for some time, are showing little tendency to rise. But the nation's growth needs are urgent and pressing. The Mikoyan visit (whatever his attempts to blow away American concerns about the Soviet's rapid progress toward greater economic power) has helped to dramatize the nation's needs for more rapid growth, if it is to retain its position of world leadership. The economic report itself expresses concern about the needs for growth in many areas ranging from education to water resources to keep pace with the rapid rise in the U. S. population. Further, the nation is still operating well below its capacity, and over 4-million workers are still unemployed. Except rhetorically, the report has very little to offer that is new to support these growth needs.

Basically, the President's economic report, like his budget message, is, in Budget Director Stans' apt phrase, a "hold-the-line" document. That is a worthy objective, but a somewhat limited one for a great nation.

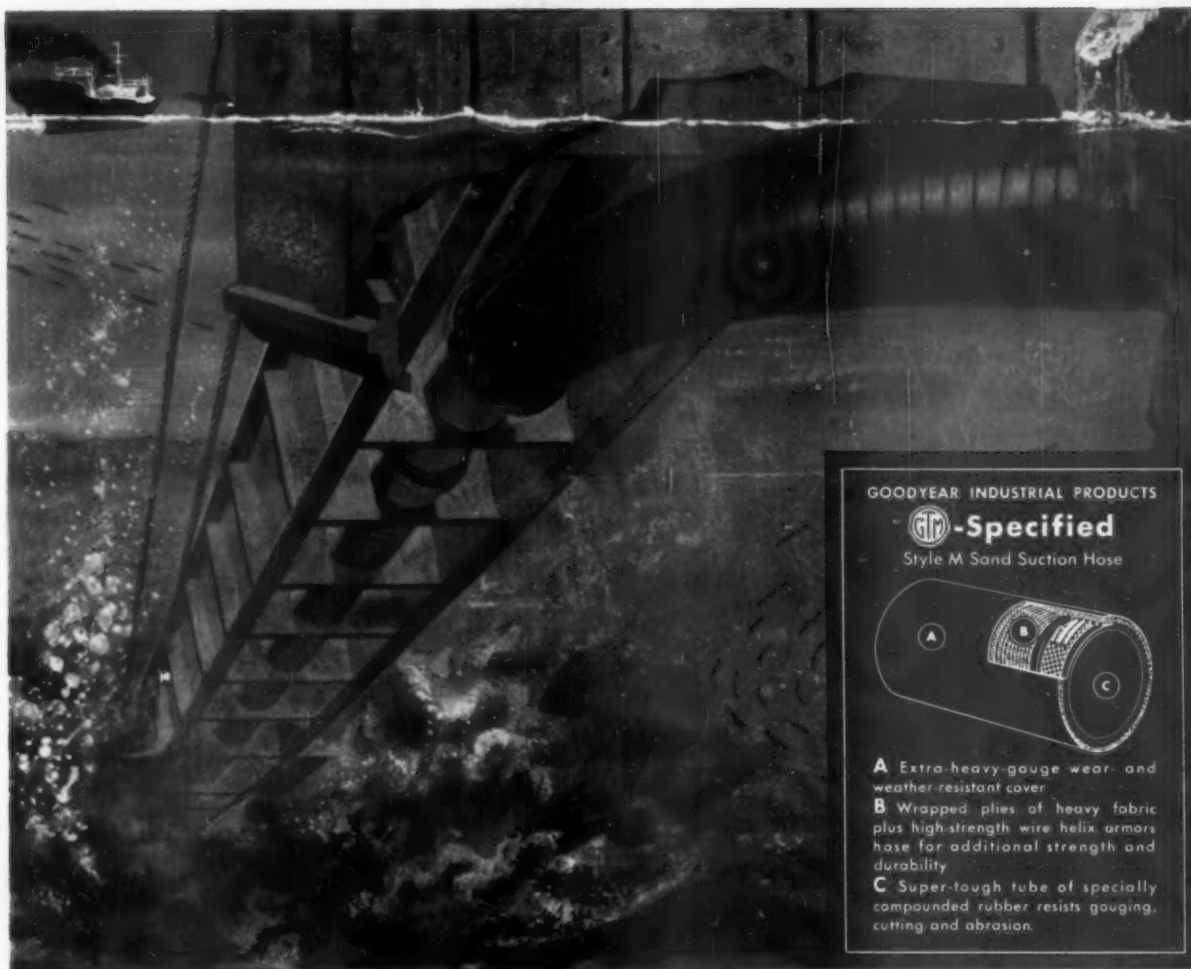


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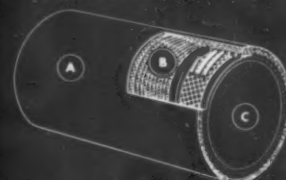
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## Meet the "champ" at building underwater highways

**Keeping underwater highways open**—especially around inland ports served by seagoing ships—is rugged business. Big dredges work almost constantly—siphoning up gigantic amounts of fill and debris that drift in to block up the river right-of-way.

**Working through channels** so feverishly is a real equipment-wrecker. And it's especially tough on the rubber hose — vital flexible links between ship and long pipe that goes down to vacuum up the fill. For it must handle razor-sharp rock and other abrasives—known, in extreme cases, to chew through hose in a matter of hours.

**Finding a way to steer clear** of the constant replacement expense has long been a problem. So when the G.T.M. — Goodyear Technical Man—suggested Style M Sand Suction

Hose — he was quickly taken up. The result? When one dredge operator tried Style M Hose—and carefully followed the G.T.M.'s suggestions for its care—he handled 13 million tons of material with it. That's over 4 times normal service.

**If you're trying to get to the bottom** of a problem that calls for hose — or any other industrial rubber product — the G.T.M.'s your man. Contact him through your Goodyear Distributor—or write Goodyear, Industrial Products Division, Akron 16, Ohio.

**IT'S SMART TO DO BUSINESS** with your Goodyear Distributor. He can give you fast, dependable service on Hose, V-Belts, Flat Belts and many other industrial rubber and nonrubber supplies. Look for him in the Yellow Pages under "Rubber Goods" or "Rubber Products."

STYLE M SAND SUCTION HOSE BY

**GOODYEAR**

THE GREATEST NAME IN RUBBER



